

CPP Group

Annual Report & Accounts 2015

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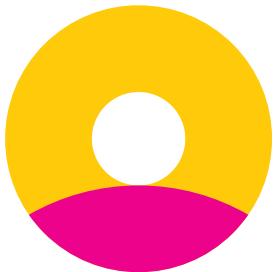
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Helping people live their lives in a less stressful way by helping them look after what's important to them.



During 2015, CPP has continued to provide services to customers who may have concerns about, or may have actually suffered some sort of personal loss; had their wallet stolen, suffered an attack on their identity, maybe lost or damaged their mobile phone or simply lost a bunch of keys. We will continue to provide such services, however in the future as our assistance-based propositions evolve we want to help people to avoid those situations in the first place; to provide peace of mind for our customers, helping them go about their lives in a less stressful way.

Financial highlights

A year of significant transformation

Revenue

(continuing & discontinued operations)

£89.9m

(2014: £108.8m)

Underlying operating profit/(loss)¹

(continuing & discontinued operations)

£8.9m

(2014: £(0.6)m)

Underlying operating profit¹

(continuing operations)

£6.9m

(2014: £2.8m)

Reported profit/(loss) for the year

(continuing & discontinued operations)

£20.8m

(2014: £(6.7)m)

1. Underlying operating profit/(loss) excludes exceptional items and Matching Share Plan charges.

Basic earnings/(loss) per share
(continuing & discontinued operations)

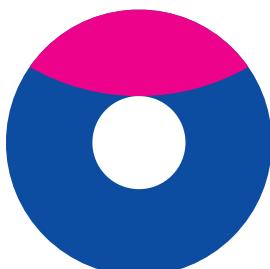
2.72 pence

(2014: (3.94) pence)

Net assets/(liabilities)

£10.0m

(2014: £(30.9)m)



Operational highlights

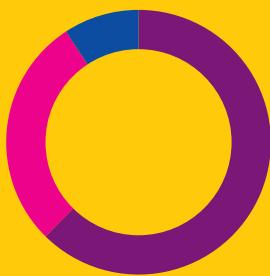
- Clear strategic initiatives implemented to enhance the customer experience and value propositions - creating a business platform from which to drive sustainable growth
- Created a stable financial platform, improved liquidity and reduced costs
- New executive team in place - Stephen Callaghan as CEO and Michael Corcoran as CFO
- Structural reorganisation complete to create a more dynamic business with greater accountability, supported by the appointment of many high impact colleagues
- Ceased provision of non-core and historically unprofitable airport lounge access services (Airport Angel)
- Implementing a new, transformational IT system in the UK which will drive significant improvements in 2016
- Focus on bringing to market new, innovative product propositions with global appeal; the first due to launch in Q2 2016
- Winner of the Institute for Turnaround 'Listed Company Turnaround of the Year' award in November 2015

At a glance

CPP has made progress over the last year to maintain a meaningful presence in the markets that are well established and to grow in those that present opportunities. With Group backing we provide local execution and support to our Business Partners, keeping our customers' needs at the heart of what we do.



Group revenue



● UK & Ireland ¹	£56.1m
● Europe & Latin America	£25.5m
● Asia Pacific	£8.3m

1. From continuing and discontinued operations.



Operational review
pages 20 and 21

Our services

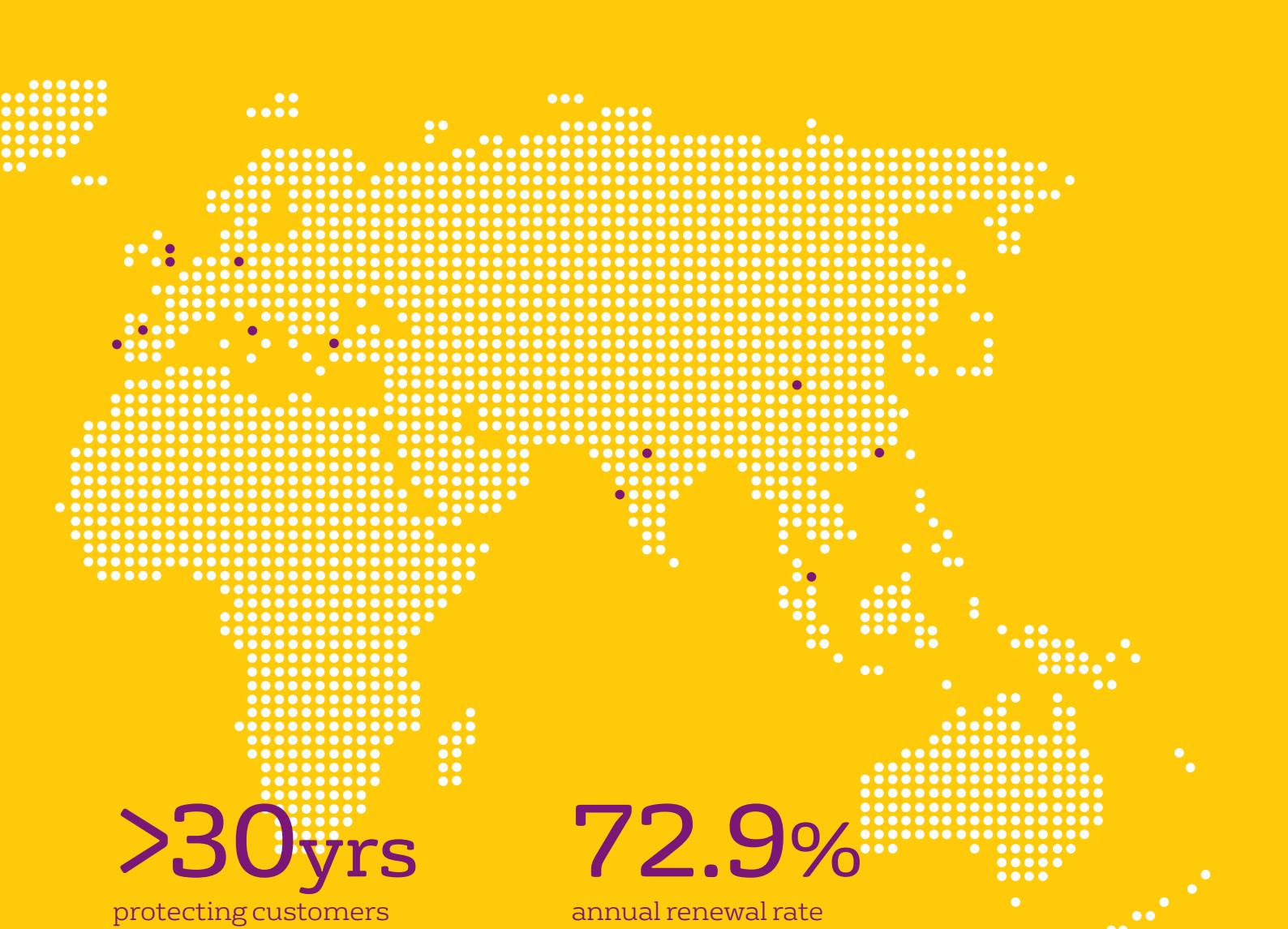
Established

Personal items

Phones, credit and debit cards and keys are indispensable. Our cover means that wherever our customers are in the world, one call to CPP will resolve a stressful situation.

Identity

Identity theft continues to grow and is increasingly complex. Our customers are alerted to changes in their credit file and risks to their data online knowing that personalised support will step in to restore their identity.



>30yrs

protecting customers

72.9%

annual renewal rate

>700

employees worldwide

3.8m

live policies worldwide

Growing

Legal, protection and automotive assistance

Whether home or abroad, getting the right support in times of need is critical. We help our customers avoid expensive legal fees and manage the impact of an assault. Our propositions mean that customers are supported in difficult circumstances.

Developing

New propositions

Our research found that helping people look after things that are important to them is something they value; physical things and data related things. We have prototypes and plan to launch new services in 2016.

Our business model and strategy

Our strategy has evolved in 2015. We are moving from primarily providing insurance-backed products that assist customers when they encounter a problem, to an organisation that will help to prevent those stressful situations from occurring in the first place, or help remedy them before they become a real issue.

Historically CPP has worked exclusively through Business Partners to reach consumers. However, we see opportunities in 2016 and beyond to engage directly with consumers with enhanced digital propositions as well as through Business Partners. Informed by extensive global insight-led market research, work has been done in the past year to prepare us for a new strategy and approach.

Our 2015 focus has been on: cost management, opportunities for future revenue growth, and business transformation. Through this lens we have laid the foundations for our future.

“I’ve been delighted with the clear appetite for change inside the business. The foundations we have put in place during the year, together with a significant cultural shift, provides us with a great platform to develop the business in 2016.”

Stephen Callaghan, Chief Executive Officer

Cost management

Streamlining our costs effectively is vital for our sustained success.

Opportunities for future revenue growth

Customer-centric propositions relevant to our markets, attracting new Business Partners outside of our traditional financial services sector and maintaining strong existing relationships is a priority.

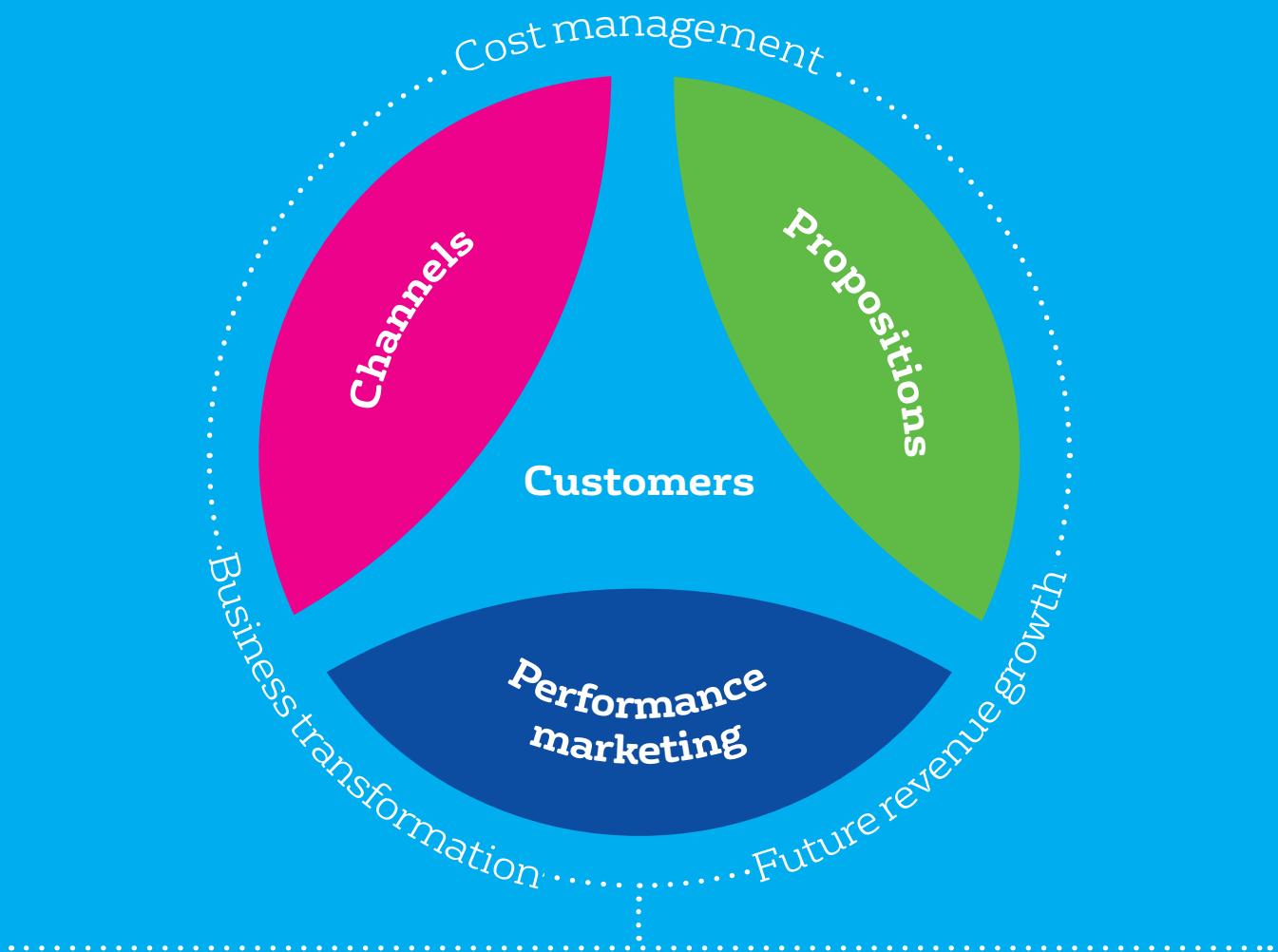
Business transformation

Significant changes to internal processes and workflow, IT systems, management structures and the introduction of high impact key personnel have been made. The systems and processes that drive our business growth have been reviewed, developed and adapted in 2015 to ensure that we are on track.

Our priorities for 2016

- Show incremental value to our customers by offering them simplified and consistent product benefits at a lower price point.
- Launch our direct to consumer propositions across our geographies.
- Develop our digital technologies to facilitate multi-channel customer interactions reaching customers in ways that work for them.
- Implement performance marketing in support of our new digital go-to-market focus.

Our approach places customers at the centre of our business model



Channels

Appropriate routes to market that demonstrate cultural understanding and takes into consideration consumer need and the way in which they want to engage with the business.

Propositions

Developing consumer-focused propositions that embrace digital technology and help customers manage what's important to them.

Performance marketing

Through innovative direct to consumer propositions our performance marketing approach will ensure we are sensitive to the geographies in which we operate and via test-and-learn methodologies, we will optimize our performance and create sustainable growth.

Chairman's statement

The start of a new era for CPP



Roger Canham
Chairman

I joined the Board of CPP in May 2015 and in my first year I have spent time with the leadership team developing an in-depth knowledge of the Group. CPP has come through a very challenging few years since the FSA investigation in 2011.

The newly formed Executive Team, under the leadership of Chief Executive Officer Stephen Callaghan, is now complete and they are operating at pace, demonstrating the required focus to take us forward and realise our potential to be a global business with a sustainable and profitable outlook.

The equity funding at the beginning of the year, whilst concurrently restructuring the Group's liabilities and refinancing its debts, was a critical activity to establish a solid foundation. The successful completion provided the Group with a stronger and more stable financial footing and signalled the start of a new era for CPP. Results at the half-year demonstrated that the new Executive Team was also getting to grips with some of the more gritty aspects of a turnaround situation: discontinuing businesses that were not performing and had little prospect of being profitable, focusing on cost control and revenue generation in parts of the Group where there was opportunity to do so, whilst undertaking business transformation activities and IT system changes. The team has made real progress during 2015 reflected in a set of results that show what can be achieved with focused execution.

At the heart of CPP are our colleagues. They have real passion, want to go the extra mile for our customers and they are committed to the business. Ensuring that we continue to provide opportunities for our people by both developing existing colleagues and attracting new talent to the business remains a key priority. By so doing, the Group will be better placed to capitalise on the opportunities that lie ahead. As Chairman, I participated in an extended leadership team development programme in October during which the team were given methods and techniques to make them more impactful as individuals and as business leaders. It was an inspirational activity and I continue to provide my full support to the Executive Team in this regard as they deepen and broaden their colleague engagement and development programme during 2016. It is only by having the right people and doing the right thing by customers that we create real impact and deliver sustainable value to our shareholders and other stakeholders.

CPP has also added to the new Executive Team. Having secured the services of Stephen Callaghan as Chief Executive Officer (CEO) during the first half of the year, in the second half we appointed our new Chief Financial Officer (CFO), Michael Corcoran. Michael has extensive international and regulated business experience and expertise in managing strong financial, operational, governance and compliance frameworks. Additional executive hires before year end included a new Chief Marketing Officer and Chief Technology Officer.

Board changes

There have been a number of Board changes during the year, not least my own appointment in May before taking over as Chairman in July. We welcome Abhai Rajguru as Chairman of our Audit Committee and as a member of the Risk and Compliance Committee. Abhai brings years of experience at a senior level in the financial services sector and additionally possesses a wealth of digital and technology knowledge to complement our insight and proposition development activities. Ruth Evans resigned after the year end to allow her more time to focus on her other portfolio roles. Shaun Astley-Stone has extended his duties in support of the Board and is now Chairman of the Remuneration Committee as well as holding the office of Senior Independent Director. We will continue to evaluate opportunities to strengthen the Board with individuals that have relevant experience and will add value.

The Board's focus is now very much one of supporting the management team as they introduce a new digital range of products, and enter into dialogue with the FCA regarding its existing and new product offerings to customers in the UK.



Corporate governance
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General meeting

As announced on 21 March 2016, Schroder Investment Management Limited (Schroders) has filed a notice requisitioning a general meeting of the Company's shareholders (the Requisition). The Requisition proposes resolutions to remove the CEO and current Non-Executive Directors from the Board and to replace them with individuals proposed by Schroders. It is believed that Schroders are working with Mr Hamish Ogston, one of the Group's major shareholders and founder of the Company.

The Board is surprised by the Requisition given the significant improvement in the Group's performance and the strong rise in the share price since the new management team have been in place. The Board does not believe that the actions proposed would be in the best interests of CPP's customers, employees or other shareholders. The Requisition, if successful, will likely have a detrimental impact on the future strategy and performance of the business.

Looking ahead

Notwithstanding the Requisition, a priority for me and the leadership team will be to ensure that an appropriate culture continues to exist in the Group underpinned by the necessary governance structure to support the business.

2015 was a year during which remedial actions, team building and clinical execution have resulted in underlying transformational business and cultural changes to CPP in addition to a set of improved financial results. Leadership is to be congratulated on bringing colleagues on a journey which has delivered confidence, commitment and high energy levels across the Group. Looking forward, I am convinced that the strategic direction already set will deliver on the promise of creating a global assistance business whose mission is to help customers look after the things that are important to them.

Roger Canham

Chairman
6 April 2016

“It is only by having the right people and doing the right thing by customers that we create real impact and deliver sustainable value to our shareholders and other stakeholders.”

Roger Canham, Chairman

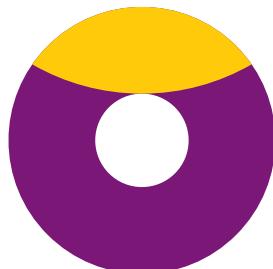
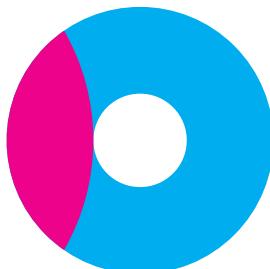
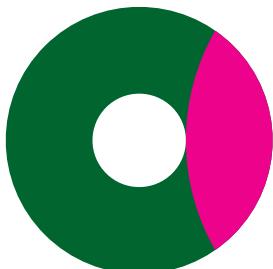
Chief Executive Officer's statement



Stephen Callaghan
Chief Executive Officer

I was appointed Chief Executive Officer on 30 July 2015 and I continue to be firmly focused on establishing a new strategic and operational plan for the business, creating the right culture, building the right team to execute that strategy and providing the required level of high impact leadership to propel us forward.

CPP has operations in established markets such as the UK, Spain, Germany, Italy and Portugal as well as in emerging markets India, Mexico, Malaysia, Turkey and China. I have spent a considerable amount of time with colleagues across the business and I have visited country operations to understand how they are run, to see where we can make investments to improve performance, identify where additional opportunities may lie, and determine where we may be able to create operational leverage and savings across the Group.



Understanding immediate challenges

My initial focus was to carry out a fundamental business review to determine what could be done to reduce cash burn, to create a more profitable cash generative business in the short term and to put that cash to good use with the objective of creating a sustainable growth platform for the future. During 2015 we ceased our non-core and historically unprofitable travel services business, Airport Angel, reworked the basis of our commercial relationships with banks in the UK and improved our revenue performance where we were able – whilst reducing costs wherever it made sense. We worked hard to improve our customer experience and we were able to track improvements in renewal rates.

In addition to the financial measures, we also focused on bringing about changes to our UK business processes and technology platform; our business transformation plan hits an important milestone in summer 2016 when the new systems go live.

Addressing the past

CPP has endured a number of challenging years, particularly in the UK. In 2015 we have seen the UK business undergo many organisational, people and operational changes to fix issues that have been so damaging to our reputation. A new UK leadership team has been established operating to a change agenda at pace to ensure the business conduct and practices of the past are not repeated.

Following discussions with the FCA, the Company must demonstrate that management practices and shareholder influence of the past no longer exist, before reinstatement of regulatory permissions in the UK will be considered. Reinstatement of regulatory permissions remains a key part of the Group's strategic plans.

Already in 2016, we have had initial engagement with the FCA to agree a phased plan which will see UK customers receive better value via a reduction in renewal premiums and enhanced benefits for regulated products. This has been facilitated by changes in our commercial relationships with Business Partners. Customer research shows a strong desire for product simplification which we plan to implement in summer 2016 and with new systems live, we hope to sell the enhanced products to new customers in the UK through digital channels.

During the FCA engagement we will actively demonstrate that the UK business has rehabilitated itself and now places the customer at the heart of our operations with the appropriate culture, controls and oversight befitting a regulated financial services business.

Putting the customer at the heart of what we do

We have carried out extensive research into customer needs on an international scale, not only restricted to countries where CPP has a presence. The findings provide insight into customer fears about losing track of things, their anxiety over personal details being compromised online, and the preferred methods of interaction with the business. Responding to this, we have developed new products that will be available globally and have evolved our communications channels to include self-service websites and mobile applications to complement our telephony services.

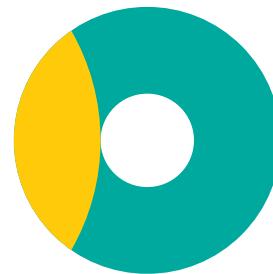
In 2016, we will launch CPP's first ever 100% digital product with global reach and we aim to have customers live in five CPP geographies by the end of the year - both direct to consumer and in conjunction with Business Partners. Our new and highly innovative product, Owl, signifies a step change for CPP. It provides peace of mind for our customers by monitoring key personal data on the dark web, providing customers with alerts via email or SMS in the event of a compromise, and offering guided support to get them back on track in a way that is appropriate and meaningful.

“In 2015 we have seen the UK business undergo many organisational, people and operational changes to fix issues that have been so damaging to our reputation.”

**Stephen Callaghan,
Chief Executive Officer**



**New proposition launch
pages 18 and 19**



Chief Executive Officer's statement

continued

72.9%
annual renewal
rate

>700
employees
worldwide

>3.8m
live policies
worldwide

"Our strategic approach is described on three axes; innovative proposition development, channel partner development and performance marketing."

Stephen Callaghan,
Chief Executive Officer

Towards an efficient and effective organisation

To provide more direct accountability, the business structure was reorganised early in 2015. The regional management layer was removed to create a structure more appropriate for a business of our size. This brings the Group executive closer to operations across our geographies and allows me to work directly with small teams to get things done. This helps us gain pace with our initiatives and accelerate progress.

Our strategic approach is described on three axes; innovative proposition development, channel partner development and performance marketing. The associated technology and proposition developments are being led by our new Chief Technology Officer, in close partnership with a newly created Group Product and Proposition team. New channel partner opportunities are being explored in automotive, consumer finance, utility, telecommunications, healthcare and travel sectors led by our Chief Commercial Officer and his directly reporting Country Managers.

Whilst financial Business Partners continue to be part of our strategy, research shows that broader market opportunity exists for a wider partnership approach. The appointment of a Chief Marketing Officer at the end of 2015 allows us to establish a central performance marketing capability, creating reusable marketing tools and knowledge base to support countries in the launch of new propositions, and to establish playbooks for direct to consumer marketing.

Leadership and culture fit for the future

Much of the progress seen at CPP in the past 12 months has been achieved with the existing capacity and resources already in the business, including over 700 employees and a similar number of dedicated customer service agents. However, leadership at every level is striving to effect change, increase momentum and create impact. We must continue to strive to be a committed, trusted organisation that provides a valuable service to its customers. As a part of our culture shift we have embedded our colleague derived core values of Commit, Collaborate and Perform across the organisation. This is supported by regular communications celebrating great behaviours and achievements. We also continue to focus on governance, leadership, controls and to ensure that our product offerings are designed to meet customer need.

Group performance – a stronger, more profitable platform

The financial results for 2015 are much improved. They demonstrate a return of confidence and signal significant progress at CPP. We are now trading from an improved and effective platform and we have plans to further embrace digital technologies to allow customers multi-channel access to services. However, challenges remain and there continues to be work to do for the Group to realise its strategy. Consequently, there is some uncertainty whilst this work is ongoing and new propositions are launched globally. The Group remains confident in the direction it is heading and understands the importance of maintaining momentum in the delivery of our plans.



Our people
pages 14 and 15

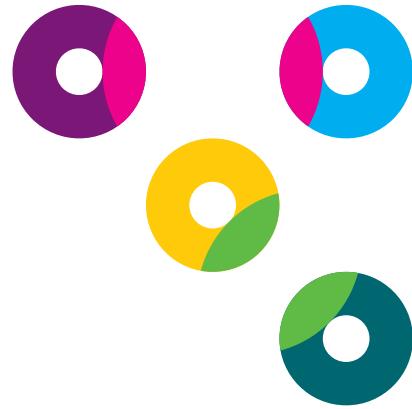


Our global operations are making progress. During 2015 we recorded new business success in Spain by developing a new Business Partner relationship in the Automotive sector. In India, we have entered the Non-Banking Financial Services sector, providing new assistance and repair services to mobile phone users and in Turkey we have continued to develop our ATM channel to market for customer acquisition for our Card Protection product. Having appointed new management in Mexico, we are rebuilding confidence and have been successful in winning back Business Partners and customers.

As expected, Group revenue from both continuing and discontinued operations has reduced in the year to £89.9 million (2014: £108.8 million) reflecting the natural decline in the UK renewal book whilst new regulated sales remain restricted. The underlying operating profit from continuing and discontinued operations has however, increased to £8.9 million (2014: £0.6 million loss). This underlying operating profit performance is a result of several initiatives including ongoing and new cost control scrutiny, adopting a new basis for commission payments for Business Partners, and some benefits driven by management action during the closure of Airport Angel. Underlying operating profit from continuing operations only is £6.9 million (2014: £2.8 million). Following the equity raise and debt restructure at the beginning of 2015 the Group's net funds position has improved significantly to £37.6 million (2014: £7.9 million).

During 2016, the business intends to further invest in the necessary capability to support accelerated growth and introduce reduced renewal premiums in the UK. The full benefit of this investment is expected in a period beyond the next financial year.

The Group's annual renewal rate has increased to 72.9% (2014: 71.4%) reflecting the value customers continue to place on our products. The live policy base has reduced to 3.8 million (2014: 5.1 million) mainly due to a decline in UK wholesale policies, which includes the closure of Airport Angel.



Final word

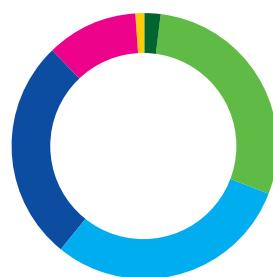
We have made significant progress in 2015 that I believe will shape and positively impact the long term future development of the Group. We have the resources available for us to develop and implement our strategy which in turn will build our future. These results reflect a new beginning for CPP and I would like to thank colleagues worldwide for embracing the changes with such enthusiasm and personal commitment.

Stephen Callaghan
Chief Executive Officer
6 April 2016

Our people

The spirit of CPP is captured in the culture we strive for: enthusiastic, committed, energised colleagues taking action to move us forward on our growth agenda and placing our customers at the heart of everything we do. Our people strategy focuses on building capability, encouraging positive behaviours, developing our talent, strong leadership and utilising new, innovative techniques that will enable our colleagues to be in the best possible state to deliver sustainable revenue growth.

Colleague age groups (%)



18-20	2
21-30	29
31-40	30
41-50	27
51-60	11
61+	1

Gender split (%)



Female	59
Male	41

Our talent

In 2015, progress was made in developing and attracting talent to ensure we have the right people in place to deliver our plans. Executive roles such as the Chief Commercial Officer and Chief Operating Officer, along with other high impact leadership positions were filled internally by enthusiastic and committed colleagues who provide a continuity platform from which the organisation can accelerate growth.

This foundation has been strengthened by attracting new talent to both Group and Country roles. Group appointments include a Chief Technical Officer and Chief Marketing Officer. We have a new Country Manager in Mexico and a number of local Commercial Director and senior management roles across the Group. All of them are highly experienced, skilled, impactful people who chose to join CPP to help transform the business and deliver on our ambitions. Further senior appointments are expected across all markets in 2016.

Our sponsorship programme supports talent development through sharing expertise and best practice, by building capability and through individual colleague training plans.

Nurturing leadership

In 2015 we focused our energies on leadership behaviours designed to drive change and to generate momentum. Activities that were first introduced at our leadership events, have been adopted by leaders across the organisation and we are now starting to see examples of colleagues utilising these new tools and approaches to propel the business forward. In addition, fourteen change ambassadors, or 'Accelerants', from the UK attended our Accelerant Boot Camp during which they received intensive coaching on leadership best practices and drills to help them to drive impact, achieve higher levels of performance and contribute to accelerated growth across the organisation. We will be doing more of this to create a bigger pool of international Accelerants during 2016.

In recognition of the important role that our leadership plays, a number of senior leaders were invited to participate in a Matching Share Plan (MSP) during 2015. This enables them to align their success with that of the business and creates shareholder alignment at the most fundamental level.

Colleague engagement

We engage and celebrate colleague achievements in a number of ways across the Group. In the UK we

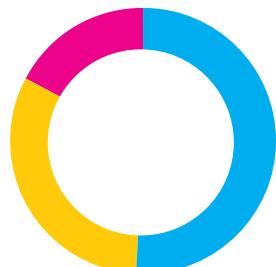
Creating a values driven culture

New values and behaviours that underpin them, have been co-created by colleagues from all CPP countries through collaborative group workshops. Our values of "Commit, Collaborate and Perform" reflect the essence of how we do things at CPP and our desire to provide a great customer experience by putting them at the heart of everything we do. The behaviours underpinning the values are now being embedded in the business – from performance management through to colleague reward – by our 'behaviour champions' working collaboratively with stakeholders right across the business.

Our colleagues defined our values and behaviours and are personally committed to bringing them to life.

have a 'Special Thanks And Recognition' (S.T.A.R.) scheme to recognise individual achievements, with a similar initiative called 'Schmusers' in Germany. In 2015, 184 S.T.A.R. nominations were submitted, with 31 awards presented and four colleagues crowned as S.T.A.R.s of the year, each rewarded for their personal contribution and impact on the business. We have implemented a regular drumbeat of communications in native languages across a number of channels. Our leadership teams regularly engage with colleagues through activities such as fortnightly 'Breakfast with the Executive' sessions in Madrid and 'Town Halls' in the UK. Regular senior leadership team videos and business updates are released to share key messages, strategy and to provide updates on progress being made. We also have colleague-led forums such as an Employee Representative Body in the UK that consists of eight colleagues from different departments. In Spain, we have two teams formed of elected, representative colleagues. During 2015, 78 Long Service Awards were given in the UK to celebrate colleagues that have been with the organisation for either five, ten or fifteen years.

Length of service (%)



0-4 years	51
5-10 years	32
10+ years	17

Our customers

Delivering excellent customer experience on a global scale is our number one priority. CPP is committed to placing customers at the heart of what we do and to becoming a more consumer-focused business offering relevant and engaging products across our geographies. To get there we have made investments in colleagues, research, partnerships, technology and our processes.

Engaging with customers in a way that's meaningful to them

Our reputation for always being there to help customers when they have lost personal items of significance like wallets or mobile phones continues to drive value in the minds of consumers and Business Partners. Our research shows that customers value the option of having a real person at the end of a phone or available via live chat so while we fully embrace digital and online channels, we have also enhanced our existing telephony services. Not only will this benefit our customers, it also ensures that CPP retains valuable competitive differentiation at a time when many organisations are moving away from human interaction.

New propositions to meet customer needs

In the past decade, internet enabled services have grown rapidly. The increase in smartphones, tablet computers and televisions connected to the internet provide ease of connectivity and convenience. This has created a digital lifestyle where providing our personal information online to businesses and social networks is now common place. Despite this, consumers still feel unease when it comes to the control and security of their information. Our research highlights that many express concern about their payment card details being compromised and their emails being hacked into. The majority of us try to protect ourselves against these external risks with the use of firewalls and anti-virus software but our desire for convenience can mean that our best intentions can often fall short. Indeed, Ofcom found that just over half (51%) of all internet users use the same passwords for most, if not all websites. This corresponds to a figure of 48% from CPP's own quantitative research study.

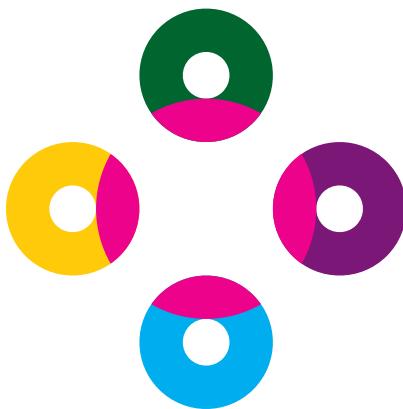
Nevertheless, consumer appetite to take more control over their personal information is increasing. Our research found that 68% of consumers feel that it is up to them to look after their personal information. They want early detection if their information is where it shouldn't be and they want to be able to stop the spread of that information.

We have identified four long term trends that will drive this category forward:

- The ongoing rise of smartphones and the 'Internet of Things';
- The increase of living our lives online;
- The need for control of data; and
- The need for immediate gratification.

As a result of our insight-driven research and subsequent new proposition development, we are now well-positioned to leverage our distribution and service capability and to drive growth from these new customer propositions. They provide instant value and peace of mind by responding to real-life issues being faced by consumers today.

Our research tells us that data security and privacy management are also key concerns. To respond to this we have developed a new proposition called Owl. It offers customers value on a truly global basis and monitors and protects consumer privacy and associated personal data. Our go-to-market strategy for Owl is contemporary and agile and delivered via acquisition and service channels that make the most sense to consumers. Owl is the first of many new launches being planned by CPP, with the intention being to launch at least one more new proposition in 2016.



Doing what we do best, but better

The strong performance of CPP's established portfolio with renewal rates being above 75% in many countries, confirms that there is considerable consumer and financial value in CPP's existing proposition set. Customers around the world value the services that CPP already provides and we will continue to leverage this position. CPP is well progressed with a programme that will simplify existing offerings, bring key benefits to the fore and will also allow customers to interact with CPP using enhanced digital channels. Delivering excellent value for money will remain a core principle as we grow the business. We will also ensure that customers are listened to and understood and that we remain focused on delivering value in a way that encourages engagement, loyalty and renewal.

Our fast-paced and insight-informed New Product Development roadmaps are designed to maximise the customer value of new and existing propositions. To enable our business plan, CPP has made several appointments into key executive and leadership positions. Building strength and depth at both a Group and in-country level is a priority so that Business Partners and customers benefit internationally from our investment far into the future.

Being online has become an essential part of our daily lives.

As we share personal information with more people and more organisations, the more we risk our private information getting into the hands of those who can exploit it for fraudulent purposes.

We know our personal information is precious, but unfortunately most of us are in the dark about how to keep it safe.

That's why we've developed Owl.

What is it?

Owl is a consumer-focused service that helps customers protect their personal information in a simple, convenient and intuitive way.

Behind the scenes, Owl uses state-of-the-art technology from the world's leading identity protection provider to constantly monitor the internet and dark web for evidence of personal information being shared.

The service will be available on mobile phone, tablet and PC platforms, all backed up with our excellent telephone support.

How Owl meets customer needs

Owl alerts customers if their personal information is being shared or traded online and will guide them through issue resolution if anything abnormal or risky is detected.

When a customer initially signs up they enter details of the personal data they want Owl to monitor, such as debit or credit cards or identity documents, all stored securely within the Owl system. Once details are entered they will be subject to a historical scan which will cross reference their personal details with a database of compromised data gathered over the last seven years. If any issues are discovered, customers will be alerted and presented with a personalised action plan laying out a process they should take to secure their information.

Owl helps customers to take steps to protect their personal information and identity with clear and simple tools, advice and tips on how to do it.

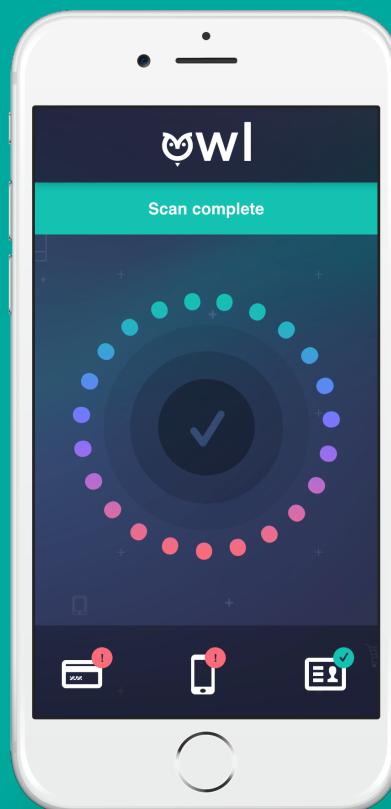
Why Owl is a step change for CPP

Owl represents a new way of doing things for CPP and is the first direct to consumer brand digitally delivered by the Group. We want the proposition to be consumer friendly and so the service will be offered on a monthly basis without the customer having to commit to an annual plan.

Owl is the first of our 'think global' propositions and has been developed centrally with a 'digital first' mentality to ensure rapid deployment across the Group's geographies.

We see the pace of technological change showing no signs of slowing and customer expectations continue to create opportunity in this regard.

Owl is transformational for CPP coupling a powerful proposition with a superior user experience. It's underpinned by a dynamic consumer brand. Owl will shine a light on the dark web, delivering an invaluable service to customers for whom unrestricted online activity is an essential part of modern life. Our combination of easy to digest digital support and the monitoring of personal information helps people regain control and live their lives freely online.



Operational review

During 2015 our priority has been to continue to focus on customer service and value creation. This has been whilst driving costs down to a level consistent with our business size and going through a process and technology transformation.

Regional trends 2015

	Revenue (£) ¹	Underlying operating profit (£) ¹	New sales (£)	Renewal rates (%) ¹	Operating margin (%) ¹
UK and Ireland					
UK	↓	↑	↓	↑	↑
Ireland	↓	↓	—	↓	↓
Europe and Latin America					
Spain	↓	↑	↑	↑	↑
Italy	↓	↓	↓	↓	↑
Portugal	↓	—	—	↑	↑
Germany	↑	↑	↑	↑	↑
Turkey	↑	↑	↑	↓	↑
Mexico	↓	↓	↑	↓	↓
Asia Pacific					
India	↑	↑	↑	↓	↑
China	↓	↑	↑	↓	↑
Malaysia	↓	↓	—	↓	↓
Hong Kong	↓	↑	—	↓	↑

↑ Increase — Level ↓ Decrease

1. On a constant currency basis

UK and Ireland

Financial performance

Revenue for 2015 decreased by 25% compared to the same period in 2014 to £43.0 million (2014: £57.4 million, excluding Airport Angel). Underlying operating performance has improved to a profit of £2.0 million (2014: £2.1 million loss, excluding Airport Angel).

Review

The UK and Ireland region accounted for 56% of Group full year revenue in 2015. New retail business performance in the UK and Ireland continues to be constrained by the ongoing Voluntary Variation of Permissions (VVOP) which, amongst other things, restricts our ability to sell new regulated products in the UK. Despite these constraints however, our renewal performance was strong and encouraging.

While the underlying trading performance confirms that our customers value our existing products, we launched a fast-paced programme of product revitalisation in 2015 that will develop our core propositions further. Improving the operational and commercial readiness of our UK and Ireland business has been a key focus throughout 2015 to ensure that we have a positive take-to-market strategy in place once the restrictions have been lifted. We have taken active steps to address loss-making and non-core interests like our Airport Angel business, have analysed and improved core customer processes and have invested in key personnel positions that will enable customer experience gains and lift both our revenue and profit. Specific examples of such people investment are; Commercial Director, Operations Director and Category/Product Management.

We view the UK and Ireland region as having high growth potential and the UK is a priority market for new customer propositions. These will be performance-marketed via direct to consumer and business to business models to ensure that we are reaching customers in the most meaningful and appropriate way for them.

Europe and Latin America

Financial performance

Revenue has decreased by 13% on a constant currency basis compared to the same period in 2014 to £25.5 million (2014: £32.5 million). The underlying operating profit has reduced to £4.6 million (2014: £5.2 million).

Review

The Europe and Latin America region includes; Spain, Italy, Portugal, Germany, Turkey and Mexico. Europe and Latin America accounts for 33% of Group full year

revenue. Having taken the strategic decision in 2014 to exit Brazil, this process was completed in 2015.

The core European markets each delivered solid renewal performance, operational efficiencies and Business Partner engagement throughout 2015. There was also encouraging new revenue growth in Turkey although renewal performance was below expectations, in part due to market conditions. Country Managers have focused on market development actions that seek to win new business partnerships in new sectors and channels, with the automotive industry in Spain and the ATM channel in Turkey being two successful initiatives.

In addition, in 2015 we reviewed the in-country skill sets and local structures to ensure that we are well placed to capitalise on Group-led proposition, brand and marketing initiatives as well as capitalising on local product offers. Driving profitable new revenue from both new and existing propositions remains a priority. We are actively building strength and depth in all countries; appointments have been made of a new Country Manager in Mexico and a Sales Director in Turkey.

Asia Pacific

Financial performance

Revenue has increased by 23% on a constant currency basis compared to the same period in 2014, to £8.3 million (2014: £6.7 million). The underlying operating performance has improved to a profit of £0.3 million (2014: £0.2 million loss).

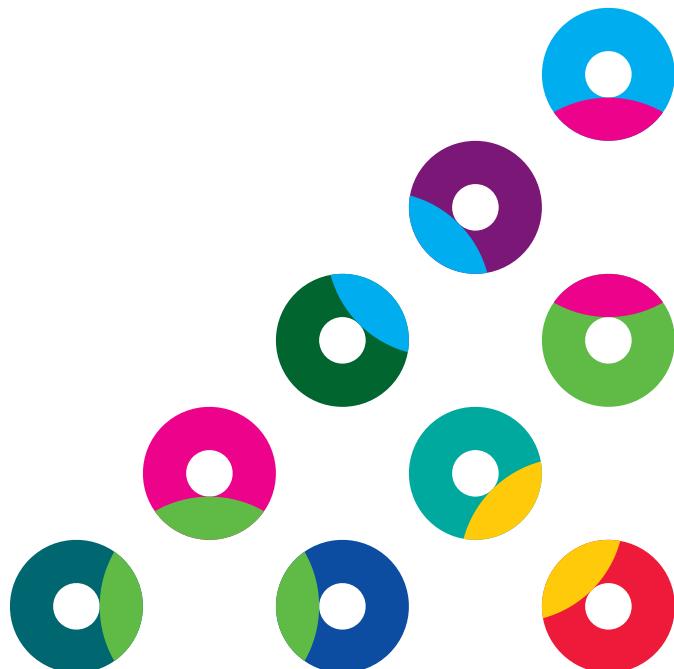
Review

Our Asia Pacific region's main trading operations are in India, China, Malaysia and Hong Kong and accounts for 11% of the Group's full year revenue. Both India and China performed well, growing revenue and improving operating performance during 2015. This growth is underpinned by new Business Partner wins and new product and channel development activity. Progress in India, which is a very competitive market, is particularly strong and encouraging. Our Indian team has secured new Business Partner contracts and has successfully launched a mobile phone assistance product during 2015. Progress in China continues to be stilted in what is a difficult market to break. However, the opportunities are immense and we remain focused on accessing the potential of this market.

Malaysia's renewal performance continues to perform as expected and in January 2016 we signed a new Business Partner contract to deliver a new proposition which will re-start new revenue activities in the market.

Having taken the strategic decision in 2014 to move towards a more cost effective and higher performing structure, we repositioned the Hong Kong, Malaysia and China operations in 2015. This involved the termination of Hong Kong services provided to China and Malaysia. Significant cost savings have subsequently been realised and the operating capabilities of China and Malaysia have improved as a result. The renewal metrics of the Hong Kong customer base continues to perform well.

The operational performance level achieved in 2015 demonstrates that we have established a new momentum in the business. We've made significant progress and can now look forward to operating from a much improved global platform.



Financial review



Michael Corcoran
Chief Financial Officer

Overview

The Group completed the equity raise and debt restructure in February 2015, which represented an essential and significant milestone in restoring the Group's financial stability and provided a platform from which it can accelerate progress in its development.

Financial highlights 2015

	2015		2014	
	Total	Discontinued operations	Continuing operations	Continuing operations
Revenue (£ millions)	89.9	13.1	76.8	96.5
Gross profit (£ millions)	48.7	4.3	44.4	46.6
Administrative expenses ¹ (£ millions)	(39.8)	(2.2)	(37.6)	(43.8)
Underlying operating profit (£ millions)	8.9	2.1	6.9	2.8
Exceptional items (£ millions)	17.9	0.1	17.8	(6.0)
MSP charges (£ millions)	(1.7)	—	(1.7)	—
Reported operating profit/(loss) (£ millions)	25.1	2.1	23.0	(3.2)
Net finance costs (£ millions)	(1.3)	(0.2)	(1.1)	(1.7)
Reported profit/(loss) before tax (£ millions)	23.8	1.9	21.9	(4.9)
Earnings per share (pence)				
- Basic	2.72	0.30	2.42	(1.90)
- Diluted	2.71	0.30	2.41	(1.90)
Net assets/(liabilities) (£ millions)	10.0	n/a	10.0	(30.9)
Net funds (£ millions)	37.6	n/a	37.6	7.9

1. Excluding exceptional items and MSP charges.

In 2015, the Group's underlying operating performance has improved, which reflects the financial benefits of difficult but necessary decisions that have been taken in 2015 and earlier.

During 2015, the Group made the positive decision to cease paying commissions in the UK to Business Partners where they have no ongoing involvement in the renewal process and do not provide any service to the customer. Discussions with certain Business Partners regarding this change remain ongoing. It is the Group's intention to re-invest this commission saving in improving the customer value experience. The Group is committed to: providing products that meet the specific needs of consumers; improving the value proposition of existing products; and improving the overall customer experience.

The Group's customer redress activities are now substantially complete and reflect the end of a very difficult chapter. The various redress programmes have had a substantial impact on the business. The Group's processes have been significantly improved as we now embark on the next stage of the Group's development.

The Group's overseas operations have contributed to the improved operating performance during 2015; there have been strong new retail policy sales in India and Turkey and whilst trading conditions remain challenging in some of our established European countries, cost control initiatives have helped to improve operating profit margins.

As a reflection of the renewed energy and optimism in the business, certain key management has taken the opportunity to invest more than £400,000 to purchase newly issued shares through the MSP. The plan is designed to provide management with a vested interest in driving growth and directly align their aspirations with those of shareholders.

The closure of Airport Angel is now complete and, accordingly, the results of Airport Angel are being disclosed as discontinued operations within this review and the consolidated financial statements. Airport Angel has historically been a loss-making business; however, due to management focus on resolving prior operational issues and certain benefits driven by closure activities it has reported a £2.3 million profit for this financial year.

Summary

Group revenue from continuing operations has declined by 20% to £76.8 million mainly reflecting the natural decline in Card Protection and Identity Protection renewals in the UK whilst new regulated sales remain restricted. On a regional basis revenue has reduced by 25% in the UK and Ireland and 22% (13% on a constant currency basis) in Europe and Latin America. Revenue in Asia Pacific has grown by 25% (23% on a constant currency basis).

The underlying operating profit in the year from continuing operations is £6.9 million, which is a £4.1 million improvement on 2014. This improvement is largely a result of the actions taken to reduce the cost base (including the impact of reviewing commission arrangements in the UK) and improved contribution from Asia Pacific driven largely by growth in India, both of which offset the impact of declining revenue.

Exceptional items in the year are a net credit which totals £17.8 million comprising: a gain from the compromise of the Commission Deferral Agreement, net of associated costs, of £19.4 million; further residual customer redress costs of £0.9 million; and restructuring costs of £0.7 million. The £19.4 million gain from the commission deferral compromise reflects the settlement of £20.9 million Commission Deferral Agreement for a compromise payment of £1.3 million and £0.2 million costs associated with the arrangement. Costs relating to the compromise agreement incurred in 2014 were £0.7 million.

Share option charges relating to the Group's new share plan in the year, MSP, were £1.7 million. The charge in the year reflects both the charge related to investing individuals who purchased ordinary shares at a discount to market value, and ongoing accounting charges relating to the matching options. The size of the charge has been impacted by the increasing share price through 2015.

The exceptional items and MSP charges, contribute to a reported operating profit of £23.0 million (2014: £3.2 million loss).

Net interest and finance costs of £1.1 million (2014: £1.7 million) are 37% lower than 2014 reflecting the reduction in the Group's level of borrowings in the year. A significant proportion of this year's charge relates to the write-off of unamortised issue costs on the previous debt facility, which was refinanced midway through a three year term.

As a result, the reported profit before tax from continuing operations was £21.9 million (2014: £4.9 million loss) and the reported profit after tax from continuing operations was £18.5 million (2014: £3.3 million loss).

Discontinued operations, which represent the Airport Angel business in 2015, have reported a profit after tax of £2.3 million (2014: £3.5 million loss).

Basic earnings per share from continuing operations have improved from a loss of 1.90 pence in 2014 to earnings of 2.42 pence for 2015.



Financial review continued

“The Group’s underlying operating performance has improved, which reflects the financial benefits of difficult but necessary decisions that have been taken in 2015 and earlier.”

Michael Corcoran,
Chief Financial Officer

Customer redress

Our customer redress programmes are now substantially complete, with current expectations that the remaining customer redress provision of £1.6 million will be paid during 2016. We are therefore nearing the conclusion of a particularly difficult chapter for the Group, which has had a significant impact on the business. The business has reflected on its historic practices and has taken significant action to improve them, with the core principle being to ensure that our actions ultimately benefit our customers.

The Group has provided an additional £0.9 million in the year reflecting the latest estimate of residual customer redress activity. This additional provision arises following the decision to cease paying commissions to UK Business Partners. The remaining customer redress and associated costs provision of £1.6 million is in addition to the outstanding element of the regulatory fine of £8.5 million, which is due to be paid in 2016.

Tax

In 2015 there was a tax charge on continuing operations of £3.4 million (2014: £1.7 million credit). The charge mainly arises from the gain following the compromise of the Commission Deferral Agreement in the UK, a switch in the utilisation of tax losses between continuing and discontinued operations, and smaller overseas charges on the profits made in Spain and Italy. No relief is available for other Group losses. Similar to 2014, the effective tax rate is not a representative measure.

Discontinued operations

On 31 December 2015, the Group completed the operational closure of its Airport Angel business. This business has historically been loss-making; however, due to management focus on resolving prior operational issues and certain benefits from closure activities, it has reported a profit after tax of £2.3 million (2014: £2.7 million loss). Prior to 2015, the business had recorded cumulative losses of £8.3 million. The 2014 discontinued loss was £3.5 million in total, representing £2.7 million for Airport Angel and a £0.8 million loss relating to the disposal of Home3, which completed in March 2014.

Cash flow and net funds

The Group has generated additional cash, excluding movements in borrowings, of £11.2 million in the year, including the impact of the equity raise partly reduced by expenditure on the new core platform IT system. Cash used in operations amounted to £0.2 million (2014: £33.8 million) and includes £4.8 million paid in residual redress exercises. Cash used in operations has improved by £33.6 million year-on-year, which reflects the impact of significant redress payments through the UK Scheme in 2014.

As expected, the Group’s net funds position has improved significantly in the year by £29.7 million to £37.6 million as a result of the equity raise and commission deferral compromise. Capital expenditure in the year is £4.6 million (2014: £0.6 million) as the Group continues to develop its new core platform IT system, with planned implementation expected to be in Q3 2016 in the UK. The net funds figure includes cash balances of £33.9 million held in the UK’s regulated entities, Card Protection Plan Limited (CPPL) and Homecare Insurance Limited (HIL). These cash balances cannot be distributed to the wider Group without the regulator’s approval, as they are either held for regulatory capital purposes or are restricted by the terms of the VVOP. This restricted cash is, however, available to use in the regulated entity in which it exists. This much improved financial position provides the platform from which the Group can now invest to accelerate future growth.

Dividend

The Directors have decided not to recommend the payment of a dividend. Furthermore, the Board continues to believe it is not appropriate to pay a dividend until cash generated by operations is more than adequate to cover the Group’s future investment plans.

Balance sheet and financing

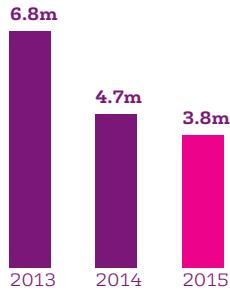
The equity raise and debt restructure has had a fundamental impact on the Group’s balance sheet position, returning it to net assets of £10.0 million at 31 December 2015 from net liabilities of £30.9 million in 2014.

The Group’s borrowing arrangements comprise a committed £5.0 million revolving credit facility (RCF), which is available until February 2018 and a commission deferral balance of £1.3 million which is due for repayment in January 2017. The arrangements are much reduced, following the debt restructure in February 2015, from the previous £13.0 million debt facility and £20.9 million commission deferral balance. The RCF has £1.0 million drawn at the year end.

Michael Corcoran
Chief Financial Officer
6 April 2016

Key performance indicators¹

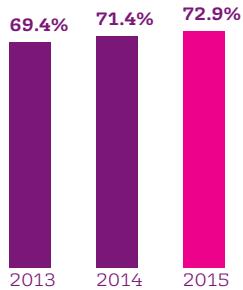
Live policies



Performance:

The live policy base is 0.9 million lower than December 2014 due to UK factors, including an expected decline in wholesale policies and declining retail Card Protection policies as the VVOP restrictions on the sale of regulated products remain in place. Live policies outside of the UK have decreased marginally.

Annual renewal rate

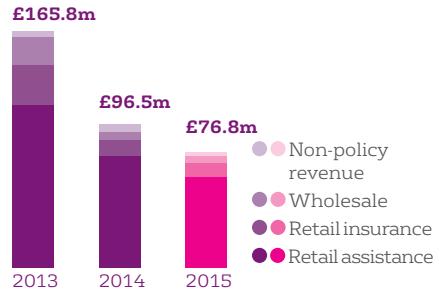


Performance:

The annual renewal rate for 2015 has increased by 1.5 percentage points since 31 December 2014 mainly due to improving rates in the Group's largest renewal markets, the UK and Spain.

The annual renewal rate does not include cancellations that have occurred during the Scheme of Arrangement (Scheme). If Scheme cancellations were included, the annual renewal rate would be 5.5 percentage points lower at 67.4%.

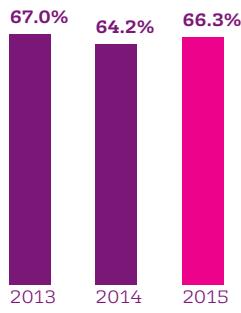
Revenue by major product



Performance:

Revenue from retail assistance policies has declined compared to 2014 reflecting the decline in Card Protection and Identity Protection renewals in the UK. The continued new retail sales restrictions associated with the UK VVOP limit the Group's ability to grow retail revenue. Retail insurance revenue, which relates to an historic UK Business Partner contract, has continued to decline as expected.

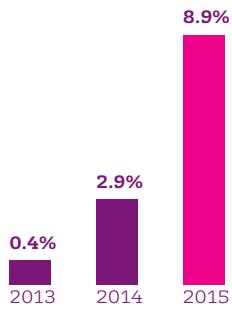
Cost/income ratio²



Performance:

Our cost/income ratio has remained broadly stable year-on-year largely due to the impact of declining Card Protection and Identity Protection renewal revenue in the UK being offset by a reduction in operating costs following the actions taken by the Group to reduce its cost base. The review of commission arrangements in the UK does not impact this measure.

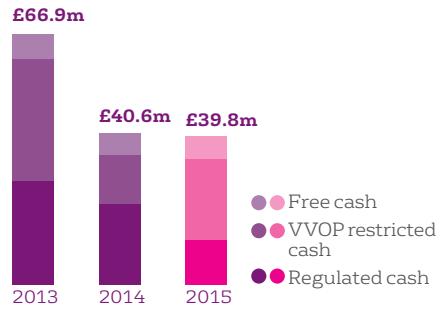
Underlying operating profit margin



Performance:

Our underlying operating margin has increased 6.0 percentage points due mainly to the actions taken by the Group to reduce its cost base and the impact of reviewing commission arrangements in the UK, partly offset by a reduction in Card Protection and Identity Protection renewal revenue in the UK.

Group cash balances



Performance:

Cash held in the Group's UK regulated entities has decreased year-on-year due to continued funding of residual redress and the core platform IT system development, partly offset by the impact of reviewing commission arrangements in the UK.

Free cash is broadly stable year-on-year. The cash benefit of the equity raise and increased cash overseas has been offset through a combination of repayment of the bank loan and associated fees and Group overhead requirement.

1. 2013 and 2014 figures have been restated to exclude the Airport Angel business which is discontinued.

2. Cost of sales and administrative expenses (excluding commissions, exceptional items and MSP charges) as a percentage of revenue.

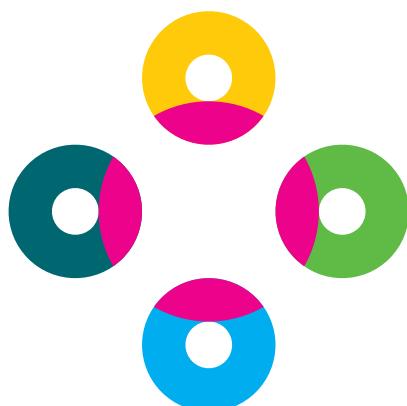
Risk management and principal risks

Overview

The Group has a risk framework that enables risks to be identified, assessed, controlled and monitored consistently and objectively. We continue to progress the implementation of the framework throughout the Group and revise our risk framework as necessary to maintain its effectiveness. The key elements of our framework include: leadership and culture; risk appetites; risk identification and assessment; management and control of risk exposures; Business Incident Management process; and a robust policy and minimum standard framework.

CPP operates a 'three lines of defence' model across the Group. The business is responsible for the identification and management of risks, with oversight and challenge from the Group control functions, and review independently provided by Internal Audit.

The focus of our risk management framework is to ensure we manage our business in a sustainable and controlled way, making risk-based decisions commensurate with our appetite and resources.



Internal control and oversight

The Group Board has overall responsibility for the Group's system of internal control and for monitoring its effectiveness. The Audit Committee and Risk & Compliance Committee operated throughout the year, each overseeing the Group's system of internal control and risk management framework.

Material risk or control matters, together with the appropriate management action, are reported to the Board via the Risk & Compliance Committee and/or the Audit Committee. The Board monitors the ongoing process by which critical risks to the business are identified, evaluated and managed.

The Group's system of internal control is designed to manage rather than eliminate risk of failure to achieve the Group's objectives and provides reasonable, not absolute, assurance against material misstatement or loss. In assessing what constitutes reasonable assurance, the Board considers the materiality of financial and non-financial risks and the relationship between the cost of, and benefit from, the system of internal control.

Solvency and capital assessments

CPPL is authorised and regulated by the FCA, and HIL is authorised by the PRA and regulated by the FCA and the PRA. Each undertakes a solvency/capital adequacy assessment on a regular basis. Outputs from these assessments are subject to review and approval by the individual Boards of these companies and are reviewed by the FCA and PRA from time to time.

HIL is subject to the European Commission's Solvency II Directive which came into operation from 1 January 2016. The Directive is aimed at producing a more consistent solvency standard for insurers across Europe, ensuring that capital requirements are more reflective of the risks being accepted. The Group does not anticipate any issues in meeting the requirements of Solvency II.

The Group operates in regulated markets worldwide, no similar reporting requirements to the local regulator exist in the Group's other markets.

Principal risks and uncertainties

Key risk	Description	Mitigation	Status
Liquidity risk	Liquidity risk is the risk that the Group or any of its subsidiaries cannot meet its contractual or payment obligations in a timely manner. Should the business not successfully generate revenue through legacy products and the development of compelling new products, then in the medium term the Group's liquidity position may be adversely impacted.	Management actively manages the overall liquidity profile, ensuring that the business plans are effective and aligned. A number of dynamic programmes are in place to develop and deploy new products and offerings, and to enhance/refresh existing legacy products.	—
Reputational risk	Reputational risk impacts the CPP brand, reliability and relationship with customers and shareholders. This may arise from poor conduct or judgements, regulatory non-compliance, or from negative financial or operational events as a result of weaknesses in systems and controls. Reputational risk may also arise from the selection of Business Partners and product offerings which may have adverse implications for the Group.	High standards of conduct and a principled approach to regulatory compliance are integral to our culture and values. We consider key reputational risks when initiating changes in strategy, products or operating model. In addition, we have frameworks to address other risks that could affect our reputation including conduct risk and product development.	—
Shareholder risk	There is a risk that the Group could be destabilised by events that would significantly impact the delivery and time/cost of the overall strategy. The Group has specific vulnerabilities, for example, as a result of a highly concentrated shareholder base.	The Board actively engages on a regular basis with our largest shareholders to mitigate this risk, discussing business rationale/strategy and seeking support of the Board and its business plans.	↑
People risk	In recent years the Group has lost (either through redundancy or attrition) a significant number of people from the business. This not only represents a risk in terms of knowledge and experience lost, but has increased the demands on our remaining colleagues. There is a risk that any significant unplanned attrition of key individuals could adversely impact the business and its transformation.	The Group has identified key skills and role dependencies and takes steps to recruit and retain these within the business. The Group also supports key roles with interim contractors and consultants where necessary. The Group continues to be successful in recruiting and attracting fresh talent and new skill sets to ensure we continue to be able to deliver our plans.	↓
Technology and information security risk	The Group has embarked on a significant and wide ranging transformation programme that includes replacement of the core platform IT system. The extent of this transformation is enabling for our future sustainability and growth. There are risks that the nature and complexity of the programme impacts the business adversely through operational issues, cost over-runs or a failure to deliver to quality.	The Group has a robust governance and delivery framework which is applied throughout transformation. We regularly assess and review progress and deliverables to ensure these are being effectively managed and controlled.	—

↑ Increase — Static ↓ Decrease

Risk management and principal risks

continued

Key risk	Description	Mitigation	Status
International business risk	Our business is broadly diversified by region and operates in multiple regulated markets worldwide. Whilst this mitigates our aggregate risk profile it introduces additional risks in terms of operating cross-border and in multiple environments as a result of complexity, local laws, regulations, business customs and practices. The risk may be exacerbated as we operate a central IT platform, business model and product propositions derived from the UK offerings.	The Board has sought to mitigate this risk through further enhancement of its risk compliance and governance approach. Our international operations are regularly reviewed by Internal Audit. We aim to employ people with local expertise who ensure the business and operations conform to local requirements as well as Group standards. In addition, we seek the advice of local advisers where appropriate.	—
Conduct and regulatory risk	The risks of customer detriment arising from inappropriate conduct, practice or behaviour and failing to meet customer needs, interests or expected outcomes. The risk of fines, penalties, censure or other sanctions arising from failure to identify or meet regulatory requirements. The risk that new regulation or changes to existing interpretation has a material effect on the Group's operations or cost base.	We promote a strong compliance culture, strive to put the interests of the customer first, and value good relationships with our regulators. Our compliance function supports management in identifying and meeting our regulatory obligations with relevant training and procedures. Compliance with relevant regulatory requirements is monitored in accordance with a risk-based programme. Our approach to encouraging appropriate conduct is set out in our conduct risk framework, and is built on culture and values, supported by appropriate governance and reporting. This includes a culture in which colleagues are encouraged to focus on good customer outcomes; a focus on products that meet customer needs; robust controls, governance, training and risk management processes. Regulatory and legal change is monitored by the compliance, legal and risk teams.	—
Third party Business Partner risk	We have a number of key supplier relationships as part of our business model, particularly in respect of insurance underwriting, product distribution and information technology. Third party Business Partner risk relates to the risk that partners may seek to end or change existing relationships or may not be able to meet their agreed service level terms. There is a significant risk that without ongoing engagement with Business Partners our primary route to market could be constrained.	The Group continues to engage with Business Partners to ensure the smooth continuation of services while at the same time developing and monitoring plans for alternative arrangements and new distribution opportunities.	↑
Emerging risks	Emerging risks are those with uncertain impact, probability and time frame that could impact the Group. These are the hardest to define. We analyse each risk and, if needed, develop and apply mitigation and management plans.	The external emerging risks that are currently our focus of attention include the potential UK exit from the European Union, increasing cyber-crime, and geo-political events impacting key markets including those in Turkey.	↑

↑ Increase — Static ↓ Decrease

The Strategic report section on pages 6 to 28 of this Annual Report has been reviewed and approved by the Board of Directors on 6 April 2016.

Stephen Callaghan
Chief Executive Officer

Board of Directors



Roger Canham

Chairman

Appointment May 2015

Committee memberships A RC N R

Skills and experience

Roger joined the Board as a Non-Executive Director in May 2015 and was appointed Chairman in July 2015. He has been non-executive chairman of Hornby PLC, the international models and collectibles group, since February 2013, and chairman of Phoenix Asset Management Partners Limited since 2009. He is also a director of Easternrose Limited; Rutland Homes Limited, County Property Limited, MAF Properties (Midlands) Limited and Asta Court Management Limited.



Stephen Callaghan

Chief Executive Officer

Appointment July 2015

Committee memberships N

Skills and experience

Stephen has over 25 years' experience with an established track record for leading international business transformations and significant experience in growing technology-enabled customer service businesses. He is non-executive director of Navtech Radar Limited, a UK-based manufacturer of commercial radar solutions. He is also Senior Independent Director of Ceres Power Holdings plc, the AIM-listed developer of fuel cell technology. He has recently stepped down from the Board of Lumata UK Holdings Limited, loyalty systems and services providers to the telecommunications industry.



Michael Corcoran

Chief Financial Officer

Appointment October 2015

Committee memberships RC

Skills and experience

Michael is a Chartered Accountant with more than 20 years' experience in senior finance roles in regulated financial services businesses in both the UK and the USA. He served as the international CFO for Franklin Templeton Investments, a listed global investment management business operating in 35 countries, and is currently a director of Branath Financial Limited.



Shaun Astley-Stone

Senior Independent Director

Appointment September 2013

Committee memberships A RC N R

Skills and experience

Shaun worked for the Group as Interim UK Managing Director from August 2012 until June 2013, during which time he was instrumental in building the customer focus of the UK business and improving regulatory relationships. He has over 25 years' experience of the retail financial services and insurance sectors, at chair and board member level. Shaun is currently chairman of Card Protection Plan Limited, chief executive officer of EMC Advisory Services Limited, director of PPI Claimline Limited and a board member of the Professional Financial Claims Association.



Abhai Rajguru

Independent Non-Executive Director

Appointment December 2015

Committee memberships A RC

Skills and experience

A Chartered Management Accountant and Chartered Director, Abhai has extensive experience at a senior level in the financial services sector, including at Leeds Building Society and the Simplyhealth Group. He currently serves as an independent member of the audit committee of Her Majesty's Treasury, Chairman of Alexander Rosse, and director of DBV Finance, Pravara Capital LLP and Arcadium Capital Partners LLP.

Committees

Committee Chairman

Nomination Committee

Audit Committee

Risk & Compliance Committee

Remuneration Committee

Corporate governance report

The Board is committed to maintaining high standards of corporate governance.

Introduction

On behalf of the Board, I am pleased to present our corporate governance report for the financial year ended 31 December 2015.

As an AIM-listed company, the Group is not obliged to comply with the UK Corporate Governance Code 2014 (the Code). However, the Board fully supports the principles of the Code and seeks to comply, insofar as it is practical to do so given the size and nature of the Company.

This report sets out the extent to which the Company complied with the provisions of the Code up to the date of this report and highlights where it did not.

Roger Canham
Chairman

 Risk management and principal risks
pages 26 to 28

 Board of Directors
page 29

Compliance with the UK Corporate Governance Code 2014

The Code defines a smaller company as one that is below the FTSE 350 throughout the year immediately prior to the reporting year. Insofar as is required of a smaller company as so defined, the Directors consider that the Company has been in full compliance with the provisions set out in the Code throughout the year and up to the date of this report, except as described below:

- the Chairman did not, on appointment, meet the independence criteria set out in the Code, being a representative of a significant shareholder, although the Board considers Roger Canham to be independent in character and judgement;
- because he is the nominated representative of Phoenix Asset Management Partners Limited, the appointment of Roger Canham as Non-Executive Director was made without either an external search consultant or open advertising. He was subsequently appointed as Chairman by a unanimous resolution of the Board;
- during most of the year under review the Board Chairman was also Chairman of the Audit Committee. This situation was resolved on the appointment of Abhai Rajguru on 23 December 2015;
- in view of the number of changes and issues faced in recent years, the Board has not considered a formal Board effectiveness review to be appropriate. This will be reviewed during 2016 as the Board looks to return to a position of greater stability; and
- the Remuneration Committee is currently made up of two Non-Executive Directors, only one of whom is judged to be independent.

Leadership

The role of the Board

The Board is responsible to shareholders for the strategic direction, management and control of the Company's activities and remains committed to high standards of corporate governance.

At the date of this report, the Board comprises:

Roger Canham
Non-Executive Chairman
Stephen Callaghan
Chief Executive Officer
Michael Corcoran
Chief Financial Officer
Shaun Astley-Stone
Senior Independent Director
Abhai Rajguru
Independent Non-Executive Director

The following changes were made during the year and up to the date of this report:

Roger Canham

- appointed as Non-Executive Director 26 May 2015 and as Chairman 3 July 2015

Stephen Callaghan

- appointed 30 July 2015

Michael Corcoran

- appointed 2 October 2015

Abhai Rajguru

- appointed 23 December 2015

Ruth Evans

- resigned 10 February 2016

Craig Parsons

- resigned 31 August 2015

Eric Anstee

- appointed as Non-Executive Chairman 13 January 2015 and as Executive Chairman 16 February 2015; resigned 3 July 2015

Brent Escott

- resigned 16 February 2015

Duncan McIntyre

- resigned 13 January 2015

Les Owen

- resigned 13 January 2015

Biographical notes of each of the current Directors are given on page 29.

How the Board operates

The Board has a formal schedule of matters reserved to it, which is available on the Company's website www.cppgroupplc.com. Key matters that the Board is specifically responsible for include:

- approval of the Group's long term ambitions, objectives and commercial strategy;
- material changes to the Group's corporate structure, including any acquisitions or disposals;
- ensuring maintenance of a sound system of internal control and risk management;
- approval of annual and half-year results and trading updates;
- approval of the dividend policy; and
- material capital investments.

Other powers are delegated to the various Board Committees and to senior management. Details of the roles and responsibilities of the Board Committees are set out on pages 33 to 38 and copies of all terms of reference are available on the Company's website.

Papers for Board and Committee meetings are circulated in advance of the relevant meeting and any Director who is unable to attend receives a full copy of the papers and has the opportunity to comment on the matters to be discussed.

Each member of the Board has had access to all information relating to the Group and to the advice and services of the Company Secretary (who is responsible for ensuring that Board procedures are followed). All Board members also have access to external advice at the expense of the Group, should they need it.

Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer are separate, clearly defined in writing and have been agreed by the Board.

The Chairman is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and setting its agenda.

The Chief Executive Officer is responsible for the day-to-day running of the business and is accountable to the Board for its operational and financial performance.

Board balance, independence and appointments

The Board's primary role is to provide leadership to the Group, to set the Group's long term strategic objectives and to develop robust corporate governance and risk management practices.

The Board aims to ensure that the balance between Non-Executive Directors and Executive Directors reflects the changing needs of the business and allows the Board to exercise objectivity in decision making and proper control of the Company's business.

The Board has reviewed the independence of each of the Non-Executive Directors that continue to serve on the Board and concluded that Shaun Astley-Stone and Abhai Rajguru are independent. The Board therefore meets the Code requirement for smaller companies (as defined by the Code) that at least two members of the Board should be Independent Non-Executive Directors.

The Chairman holds regular informal meetings with Non-Executive Directors without the Executive Directors present.

On joining the Board, Non-Executive Directors receive a formal appointment letter, which identifies the time commitment expected of them. A potential Director candidate is required to disclose all significant outside commitments prior to appointment and the Board requires disclosure and approval by the Board of all additional appointments for Executive or Non-Executive Directors. The terms and conditions of appointment of Non-Executive Directors and service contracts of Executive Directors are available to shareholders for inspection at the Group's registered office during normal business hours.

Information and professional development

The Board receives at its meetings detailed reports from executive management on the performance of the Group and other information as necessary. Regular updates are provided on relevant legal, corporate governance and financial reporting developments and Directors are encouraged to attend external seminars on areas of relevance to their role.

Appropriate training and induction is made available to any newly-appointed Director, having regard to any previous experience they may have as a director of a public company or otherwise. In addition to any guidance that may be given from time to time by the Company Secretary, Directors are encouraged to devote an element of their time to self-development through available training.

All Directors have access to the advice and services of the Company Secretary. The removal and appointment of the Company Secretary is a matter reserved for Board approval. The Board also obtains advice from professional advisers as and when required.

Performance evaluation

In view of the number of changes and issues faced by the Board during recent years, the Board has not considered formal evaluation to be appropriate. This will be reviewed during the current year as the Board looks to return to a position of greater stability and once the Board is satisfied that its composition is appropriate for the developing strategy of the Group.

Re-election

All Directors are subject to retirement by rotation in accordance with the Articles of Association. Biographies for all Directors can be found on page 29.

Corporate governance report continued

Leadership continued

Directors' attendance at scheduled Board and Committee meetings in 2015

		Board	Audit Committee	Risk & Compliance Committee	Remuneration Committee	Nomination Committee
Roger Canham	Chairman	6 (6)	1 (1)	2 (2)	3 (3)	3 (3)
Stephen Callaghan	Chief Executive Officer	4 (4)	—	—	—	3 (3)
Michael Corcoran	Chief Financial Officer	2 (2)	—	1 (1)	—	—
Shaun Astley-Stone	Non-Executive Director	8 (9)	4 (4)	4 (4)	5 (5)	3 (3)
Ruth Evans	Non-Executive Director	7 (9)	—	—	5 (5)	2 (3)
Craig Parsons	Chief Financial Officer	6 (6)	—	2 (2)	—	—
Eric Anstee	Executive Chairman	3 (4)	3 (3)	2 (2)	2 (2)	—
Duncan McIntyre	Chairman	1 (1)	—	—	—	—
Brent Escott	Chief Executive Officer	1 (1)	—	—	—	—
Les Owen	Non-Executive Director	1 (1)	—	—	—	—

The figures in brackets represent the maximum number of meetings for which the individual was a Board or Committee member. Abhai Rajguru is not included in the above table, as he was appointed a Director on 23 December 2015 and no scheduled meetings were held between that date and the year end.

Relations with shareholders

The Board is committed to maintaining good relationships with shareholders and the Chairman is responsible for ensuring that appropriate channels of communication are established between the Executive Directors and shareholders, ensuring that the views of shareholders are made known to the Board.

The Chairman, Chief Executive Officer and Chief Financial Officer maintain regular dialogue with the Company's largest shareholders, although care is exercised to ensure that any price-sensitive information is released at the same time to all shareholders.

All shareholders have the opportunity to convey their views and make enquiries via email or telephone.

The Group maintains a corporate website (www.cppgroupplc.com) which complies with AIM Rule 26 and contains a range of information of interest to institutional and private investors, including the Group's annual and half year reports, trading statements and all regulatory announcements relating to the Group.

The Annual General Meeting (AGM) provides the Board with an opportunity to meet informally and communicate directly with private investors. Voting at the AGM is conducted by way of a show of hands to encourage questions from and interaction with private investors. Proxy votes lodged on each AGM resolution are announced at the meeting and published on the Company's website.

Internal control and compliance

The Audit Committee and the Risk & Compliance Committee receive regular reports on compliance with Group policies and procedures. On behalf of the Board, the Audit Committee and the Risk & Compliance Committee confirm that, through discharging their responsibilities under their terms of reference as described on pages 33 and 34, they have reviewed the effectiveness of the Group's system of internal controls and are able to confirm that necessary actions have been or are being taken to remedy any failings or weaknesses identified.

Full details of the Group's system of internal control and its relationship to the corporate governance structure are contained in the risk management and principal risks section of this report on pages 26 to 28.

Conflicts of interest

A register of conflicts of interest is maintained by the Company Secretary. Directors are required to declare any specific conflicts that arise from each Board agenda and a Director would refrain from voting on any matter that represented an actual or potential conflict of interest.

Viability statement

In accordance with provisions C.2.2 of the 2014 Corporate Governance Code, the Directors have assessed the prospects of the Company over an initial two year period. The Board used this review period for the following reasons:

- the Group is in the early stages of developing its new strategy, which includes the launch of new products globally;
- the Group's current borrowing arrangements are due for refinancing in February 2018; and
- the Group's detailed forecasting covers a two year outlook period.

As the strategy is developed it is expected that the Group's assessment of viability will be not less than three years in future reporting periods.

The Group's revenue, profit and cash flow forecasts were subject to robust downside stress testing over the assessment period, which involved modelling the impact of a combination of plausible adverse scenarios. This was focused on the impact of the Group's key operational risks crystallising.

In making the assessment the Board acknowledges that the equity raise and refinancing in February 2015 has provided the Group with a stable financial platform from which to develop and implement its strategy. However, the strategy and longer-term viability of the Group is based on the successful launch of new products globally and uncertainty in the medium term remains as this work is ongoing.

Based on the results of the analysis performed, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the two year assessment period.

Board Committees

The Audit Committee, the Risk & Compliance Committee, the Nomination Committee and the Remuneration Committee are standing Committees of the Board. The Company Secretary acts as Secretary to all of the Board Committees and the Chairman of each Committee reports to the Board. Written terms of reference of the Committees, including their objectives and the authority delegated to them by the Board, are available upon request from the Company Secretary or via the Group's website at www.cppgroupplc.com. Terms of reference are reviewed at least annually by the relevant Committee and the Board and are available on the Company's website. All Committees have access to independent expert advice, if required.

Report of the Risk & Compliance Committee

Key objectives

The Committee's key objective is to assist the Board in fulfilling its oversight responsibilities with regard to the risk appetite of the Group and the risk management and compliance framework and the governance structure that supports it.

Key responsibilities

- Review reports and recommendations regarding the Group's overall risk strategy, appetite, policies, capacity and tolerances and make recommendations to the Board;
- Review the appropriateness and effectiveness of the Group's management systems and controls and approve any related disclosures;
- Review appropriateness of the governance functions' policies and procedures;
- Review reports from each governance function, including those on adherence to the Group's policies and standards and the maintenance of a risk and compliance culture;
- Recommend to the Board the appointment or removal of the Head of Risk Management; and
- Keep under review the adequacy and effectiveness of the Group's governance functions and the timeliness and effectiveness of management actions.

Membership and meetings

The Committee comprises Shaun Astley-Stone (Chairman), Roger Canham, Abhai Rajguru and Michael Corcoran.

Other individuals such as the Chief Executive Officer, Group General Counsel, the Head of Risk Management and the Head of Compliance may be invited to attend all or part of any meeting as appropriate. The Committee met four times during the year.

Main activities of the Committee during the year

Specific matters dealt with during the year include:

- Business continuity and IT Disaster Recovery;
- PCI DSS Compliance;
- Cyber Risk Insurance; and
- Solvency II requirements.

Report of the Nomination Committee

Key objectives

To assist the Board in ensuring that the Board and its Committees comprise individuals with the requisite skills, knowledge and experience to ensure they are effective in discharging their responsibilities.

Key responsibilities

- Carry out a formal selection process for Executive and Non-Executive Directors and propose to the Board any new appointments;
- Oversee succession planning for Directors and senior managers below Board level;
- Review the structure, size and composition of the Board (including the skills, knowledge, experience and diversity required);
- Make recommendations to the Board in respect of the membership of the Board Committees in consultation with the Chairmen of those Committees; and
- Make recommendations to the Board on the re-appointment of any Non-Executive Director at the conclusion of their specified term of office.

Membership and meetings

Current membership is Roger Canham (Chairman), Shaun Astley-Stone and Stephen Callaghan. Other individuals and external advisers attend meetings at the request of the Committee Chairman. The Committee met three times during the year.

Main activities of the Committee during the year

The following principal items were dealt with during the year:

- recruitment of Michael Corcoran as Chief Financial Officer; and
- recruitment of Abhai Rajguru as Audit Committee Chairman. External search consultancies, BIE Executive and Russam GMS Limited, were appointed to assist with the recruitment of Michael Corcoran and Abhai Rajguru respectively.

Board diversity

The Board considers itself diverse in terms of the background and experience each individual member brings to the Board, although it recognises the benefits that greater diversity at the most senior levels of the Company may bring. With this in mind, the terms of reference of the Committee require that in each appointment to the Board, the Committee must "consider candidates on merit and against objective criteria, and with due regard for the benefits of diversity on the Board, including gender" in identifying and recommending candidates.

Report of the Audit Committee

Introduction

On behalf of the Board I am pleased to present my first report since being appointed as Audit Committee Chairman in December 2015. The Audit Committee has clearly defined terms of reference which set out its objectives and responsibilities. During the forthcoming year, these will be reviewed to ensure that the Committee remains effective in fulfilling its duty to provide assurance to the Board as to the integrity of the financial statements and the effectiveness of the Group's internal controls.

Abhai Rajguru
Chairman of the Audit Committee

Key objectives

The Committee's main remit is to assist the Board in discharging its duties and responsibilities for financial reporting and internal financial control including:

- monitoring the integrity of the financial reporting systems;
- examining management's processes for ensuring the appropriateness and effectiveness of internal financial controls;
- overseeing the work of the Internal Audit function; and
- providing an interface between management and the external auditor.

Meetings and membership

As at the date of this report, the Committee comprises Abhai Rajguru (Chairman), Roger Canham and Shaun Astley-Stone. Others may attend by invitation of the Committee Chairman. During the year the external auditor, Chief Executive Officer, Chief Financial Officer, Head of Internal Audit and Head of Risk Management attended most meetings to report to the Committee and provide clarification and explanations where appropriate. The Audit Committee Chairman also meets on a regular basis with the Head of Internal Audit and the external auditor without executive management present. The Board considers that Abhai Rajguru has recent and relevant financial experience.

Main activities during the year

The Committee fully recognises its role of protecting the interests of shareholders as regards the integrity of published financial information and the effectiveness of the audit. The main activities of the Committee during the year were:

Financial statements

The Committee reviewed and discussed financial disclosures made in the annual results announcement, the Annual Report & Accounts and the half-yearly financial report, together with any related management letters, letters of representation and reports from the external auditor. Key financial reporting and accounting issues are shown in the table on page 35.

External auditor

The Committee has responsibility for overseeing the relationship with the external auditor and approves the external auditor's engagement letter, audit fee and audit and client services plan (including the planned levels of materiality). The external auditor attends meetings as appropriate and meets at least annually with the Committee without executive management present. The Chairman of the Committee also meets privately with the external auditor.

During the year, the Committee received regular detailed reports from the external auditor, including a formal written report dealing with the audit objectives, the auditor's qualifications, expertise and resources, the effectiveness of the audit process, the procedures and policies for maintaining independence and compliance with the ethical standards issued by the Auditing Practices Board. The Committee is satisfied with the performance of the external auditor during the year and the policies and procedures in place to maintain its objectivity and independence. Having considered the quality, objectivity and independence of the audit teams and the quality of their work completed across the Group, the Audit Committee has recommended that Deloitte LLP be reappointed at the forthcoming AGM.

Auditor's independence, objectivity and effectiveness

Fees paid to the external auditor are shown in note 7 to the consolidated financial statements. The external auditor provides some non-audit services, primarily in relation to corporate transactions that may arise from time to time. The Committee keeps under review the level of non-audit fees as a proportion of the total fees paid to Deloitte LLP and is satisfied that any non-audit work that has been carried out during the year is that which would normally fall to the Company's auditor.

The following controls are in place to ensure that auditor objectivity and independence are safeguarded:

- a policy on the use of the auditor for non-audit work has been agreed by the Committee. This ensures that work would usually only be awarded when, by virtue of the auditor's knowledge, skills or experience, the auditor is clearly to be preferred over alternative suppliers. This policy is appended to the Committee terms of reference which is available on the Group's website;
- the Committee receives and reviews each year an analysis of all non-audit work awarded to the auditor over the financial period; and
- the Committee receives each year a report from the external auditor outlining any matters that the auditor considers bear on its independence and which need to be disclosed to the Audit Committee.

The Committee has implemented a formal process to assess the effectiveness of the external auditor, to be carried out on an ad hoc basis following the completion of the audit. It takes the form of a detailed questionnaire completed by members of the Committee and senior members of the finance team who regularly interact with the external auditor. The results of the questionnaire are reported to and discussed by the Committee.

Internal audit

The Committee approves the annual internal audit plan and methodology, monitors progress against the plan and

receives reports after each audit. Progress against actions identified in these reports are monitored by the Committee at regular intervals.

The Committee has assessed the resources the Internal Audit department has to complete its remit and has approved the use of external consultants to supplement it if necessary, particularly in areas requiring specialist skills. The appointment and removal of the Head of Internal Audit is the responsibility of the Committee. The Internal Audit department continues to have unrestricted access to all Group documentation, premises, functions and employees, as required. The Head of Internal Audit has direct access to the Board and the Audit Committee Chairman and is accountable to the Audit Committee, meeting with the Committee Chairman from time to time, without executive management present.

Committee effectiveness

From time to time the Committee carries out a self-assessment exercise to help it assess its own effectiveness. This exercise, which was last carried out in 2013, comprises a questionnaire completed anonymously by various participants and analysed by the Head of Internal Audit prior to consideration by the Committee.

Advice to the Board

The Board sought the advice of the Committee as to whether the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. The Committee adopted a formal process to enable it to satisfy itself that this was the case, before advising the Board.

Regular updates are provided to the Committee on developments in financial reporting and related legal and corporate governance matters.

The Committee has access to the services of the Internal Audit department and the Company Secretary and is authorised to obtain independent professional advice if it considers it necessary.

Key financial reporting and accounting issues

The primary areas of judgement considered by the Committee in relation to the 2015 financial statements and how these were addressed by management are shown below:

Area of judgement	Management action
Going concern	The Committee has received detailed reports on the going concern status of the Company during the year. The Committee has reviewed and had the opportunity to challenge the reports including the underlying forecast assumptions. The Committee recognises the Group still faces some risk in relation to medium term trading and strategy. The Committee believes that the Company remains a going concern and that it is appropriate that these financial statements are prepared on a going concern basis.
Regulatory provisions	The Group's regulatory provisions include amounts for residual customer redress programmes. The Committee received detailed explanations from executive management in relation to the key assumptions and supporting evidence behind the remaining provisions. Where appropriate, reports were obtained in order to provide additional reassurance.
Revenue recognition	The Committee reviews the Company's policy on revenue recognition on an annual basis and concluded that revenue recognition continues to be dealt with appropriately. This view is supported by the auditor's report.

Abhai Rajguru

Chairman of the Audit Committee

6 April 2016

Directors' remuneration report

Introduction

On behalf of the Board, I am pleased to present the Directors' remuneration report for the year ended 31 December 2015.

During the year the Remuneration Committee reviewed the Group's long term incentive arrangements with a view to improving alignment of management's interests with those of shareholders. Details of changes made are summarised within this report and included in the detailed disclosure notes to the accounts.

The following information on Directors' remuneration is disclosed mindful of Rule 19 of the AIM Rules and the fact that, as the Company is listed on AIM, it is not required to comply with the UK Listing Rules or those aspects of the Companies Act applicable to quoted companies.

Shaun Astley-Stone
Chairman of the Remuneration Committee



Board of Directors
page 29

Role and responsibilities of the Remuneration Committee

The Committee is responsible for recommending to the Board the remuneration of the Chairman, Executive Directors, Company Secretary and senior management. The remuneration of Non-Executive Directors is a matter for the Chairman and the executive members of the Board. The Committee also recommends and monitors the level and structure of remuneration for senior management.

Meetings and membership

Ruth Evans served as Chair of the Committee during the period under review, resigning on 10 February 2016. At the date of this report, the Committee comprises Shaun Astley-Stone (Chairman) and Roger Canham.

Activities during the year

The main activities of the Committee during the year under review and up to the date of this report were:

- incentivisation of Executive Directors and the senior management team, including the implementation of the CPPGroup Plc Matching Share Plan (MSP) and the CPPGroup Plc Long Term Incentive Plan 2016 (2016 LTIP);
- management retention and reward;
- strategy for year end salary reviews; and
- agreeing terms for senior appointments and exits.

Advisers to the Remuneration Committee

The Committee appointed and received advice over the year from independent remuneration consultants, New Bridge Street, a trading name of Aon Hewitt Limited (an Aon plc company), from Mercer Limited and from Arnold Wagner Consulting Limited. None of these companies provided any further services to the Company during the year.

During the year, Eversheds LLP, the Group's legal advisers, provided advice to the Committee in connection with the implementation of new share schemes, details of which are given elsewhere in this report.

The Committee also receives advice and support from the Chief Executive Officer, the Chief Financial Officer, the Chief People Officer and the Company Secretary.

No other advisers have provided significant services to the Committee in the year.

Remuneration policy

The Executive remuneration policy is designed to ensure that the remuneration of Executive Directors and the senior management team is sufficient to recruit, retain and motivate high quality individuals, whilst aligning the interests of management as closely as possible with those of shareholders. The Committee will review the remuneration policy from time to time and take whatever action it considers necessary to ensure that remuneration is aligned with the overall strategic objectives of the Group.

Executive Directors' remuneration

In the year under review, the Executive Directors' total remuneration package comprised:

- fixed pay, including base salary, pension contributions and an allowance to spend on a range of benefits available within the Group's flexible benefits scheme; and
- variable pay, comprising bonus opportunity and participation in the Group's share-based long term incentive plans.

Non-Executive Directors

Non-Executive Directors receive written letters of appointment. Non-Executive Director appointments are subject to one month's notice.

Copies of Directors' service contracts and letters of appointment are available for inspection by shareholders at the Company's registered office.

The remuneration of the Executive and Non-Executive Directors serving during the year was as follows:

	Base salary/fees £'000		Taxable benefits £'000		Bonus £'000		Pension £'000		Total £'000	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Executive Directors										
Stephen Callaghan ¹	174	—	11	—	528	—	22	—	735	—
Michael Corcoran ²	60	—	16	—	240	—	6	—	322	—
Brent Escott ³	209	325	10	80	—	98	8	49	227	552
Craig Parsons ⁴	144	180	8	13	—	54	14	18	166	265
Non-Executive Directors										
Roger Canham ⁵	54	—	—	—	—	—	—	—	54	—
Shaun Astley-Stone	75	50	—	—	—	—	—	—	75	50
Ruth Evans ⁶	90	55	—	—	—	—	—	—	90	55
Abhai Rajguru ⁷	—	—	—	—	—	—	—	—	—	—
Eric Anstee ⁸	177	—	—	—	—	—	—	—	177	—
Duncan McIntyre ⁹	5	184	—	—	—	—	—	—	5	184
Les Owen ¹⁰	2	50	—	—	—	—	—	—	2	50

1. Stephen Callaghan was appointed as CEO on 30 July 2015.

2. Michael Corcoran was appointed as CFO on 2 October 2015. Taxable benefits includes an additional one-off relocation allowance of £12,500.

3. Brent Escott resigned on 16 February 2015; the above figure includes pay in lieu of notice.

4. Craig Parsons resigned on 31 August 2015.

5. Roger Canham was appointed as a Non-Executive Director on 26 May 2015 and as Chairman on 3 July 2015.

6. Ruth Evans was appointed as Senior Independent Director during the year and her fees reflect this and other additional responsibilities. She resigned on 10 February 2016.

7. Abhai Rajguru joined the Board on 23 December 2015; no fees were paid to him in 2015. His remuneration for the full year 2016 will be £45,000.

8. Eric Anstee resigned on 3 July 2015. He was paid an additional £66,160 as compensation for loss of office.

9. Duncan McIntyre resigned on 13 January 2015.

10. Les Owen resigned on 13 January 2015.

Bonuses

Executive Director bonus awards are linked to underlying operating performance and individual performance criteria. The 2015 award reflects the significant turnaround in the Group's performance and the Executive Directors' contribution to that turnaround during their involvement with the Group, which includes time in an advisory capacity.

Share incentives

The Committee believes that long term share awards should form a key part of the remuneration policy to provide a direct means of aligning management reward with the interests of shareholders.

None of the Directors had any awards capable of vesting for performance in the year.

Current share plans

MSP

During 2015 the Group introduced an MSP under which the Executive Directors and certain members of the senior management team were given the opportunity to purchase shares for consideration of 3 pence per share (the "Investment Shares"). The price of 3 pence per share reflects that paid by the external investors at the time of the share placing in February 2015, further aligning the interests of shareholders and management. For each Investment Share purchased options over three "Matching Shares"

were awarded. These options, which have an exercise price of 1 penny, will vest over a three year period – 25% vesting on the first anniversary of grant, 25% on the second anniversary and 50% on the third anniversary. No performance conditions apply to these options, but participants must retain all of their Investment Shares for the full three year period, otherwise all the options will lapse. It is unlikely that further awards will be made under the MSP.

2016 LTIP

In January 2016 a new long term incentive plan was introduced, under which options were awarded to the Executive Directors and certain members of the senior management team.

The options will vest on the third anniversary of the date the award was granted, subject to the achievement of specified performance targets. The targets are based on a combination of share price and underlying operating profit and thus will align management's interests with those of shareholders.

Clawback and malus provisions apply to both the above plans.

Directors' remuneration report continued

Legacy share plans

2010 Long Term Incentive Plan (LTIP)

The only awards outstanding under the LTIP are those made on 31 December 2013. Vesting of these options is dependent upon two interdependent performance conditions – the Company's total shareholder return (TSR) ranked against the TSR of a comparator group and the absolute average share price over a three year period from date of grant. None of the current Directors holds options in the LTIP.

2010 Restricted Stock Plan (RSP)

The RSP is a non-performance based share plan aimed at incentivising the second tier of management across the Group and Executive Directors are not eligible to participate. Employment is the only performance condition attached to this plan.

UK Save as You Earn Scheme (SAYE)

The Company launched a SAYE (ShareSAVE Plan) in September 2010 and made an additional offer in September 2011. All employees in the UK, including Executive Directors, were eligible to participate in the ShareSAVE Plan. Options were granted under this scheme in September 2010 at an option price of 198 pence and in September 2011 at an option price of 125 pence, in each case

representing a discount of 20% to the market value applicable at the time of grant. Consistent with HMRC rules, the scheme is not subject to any performance criteria other than employment. None of the current Directors hold investments under this scheme.

Employee Share Ownership Plans (ESOPs)

The Company has two further legacy share plans introduced prior to the IPO in 2010 (the 2005 Plan and the 2008 Plan) wherein options were exercisable as follows: 50% on 24 March 2010, 25% on 24 March 2011 and 25% on 24 March 2012. There are no performance conditions attached to these shares other than relating to employment.

Shareholder dilution

In line with the ABI guidelines, the rules of the above incentive schemes provide that commitments to issue new shares or re-issue treasury shares, when aggregated with awards under all of the Company's other schemes, must not exceed 10% of the issued ordinary share capital in any rolling ten-year period commencing on Admission of the Group's shares to AIM ("Admission").

Newly issued shares are currently used to satisfy the exercise of all employee and Executive options.

Directors' shareholdings (audited information)

The Directors who were in post at the end of the year under review held the following beneficial interests in the Company's ordinary shares:

	Ordinary shares held at 31 December 2015	Ordinary shares held at 31 December 2014	Interests in unvested shares under incentive plans
Stephen Callaghan ¹	3,000,000	—	9,000,000
Michael Corcoran ²	1,875,000	—	5,625,000
Ruth Evans	208,571	—	—

1. In January 2016 Stephen Callaghan was awarded 8,000,000 options under the 2016 LTIP.

2. On 24 November 2015 Michael Corcoran purchased a total of 3,245,000 ordinary shares under the MSP. 1,370,000 of those shares were sold immediately in order to settle the personal tax liability arising thereon, leaving the balance of 1,875,000 ordinary shares. In January 2016 Michael Corcoran was awarded 5,050,000 options under the 2016 LTIP.

There have been no purchases of shares by Directors since 31 December 2015 to the date of this report.

The market price of ordinary shares of the Company as at 31 December 2015 was 12.50 pence and the range during the year was 3.09 pence to 17.25 pence.

Shaun Astley-Stone

Chairman of the Remuneration Committee

6 April 2016

Directors' report

The Directors present their Annual Report and audited financial statements of the Group for the year ended 31 December 2015.

Principal activities

The principal activity of the Group is the provision of assistance products. Further information on the Group's business can be found in the following sections of the Annual Report, which are incorporated by reference into this report:

- Strategic report on pages 6 to 28;
- Corporate governance report on pages 30 to 33;
- Report of the Audit Committee on pages 34 and 35; and
- Directors' remuneration report on pages 36 to 38.

Directors

The Directors who served throughout the year, except as noted, are shown in the table below.

Directors		
Roger Canham ¹	Chairman	(appointed 26 May 2015)
Stephen Callaghan	Chief Executive Officer	(appointed 30 July 2015)
Michael Corcoran	Chief Financial Officer	(appointed 2 October 2015)
Shaun Astley-Stone	Non-Executive Director	
Abhai Rajguru	Non-Executive Director	(appointed 23 December 2015)
Eric Anstee	Executive Chairman	(resigned 3 July 2015)
Duncan McIntyre	Chairman	(resigned 13 January 2015)
Brent Escott	Chief Executive Officer	(resigned 16 February 2015)
Craig Parsons	Chief Financial Officer	(resigned 31 August 2015)
Ruth Evans	Non-Executive Director	(resigned 10 February 2016)
Les Owen	Non-Executive Director	(resigned 13 January 2015)

1. Roger Canham was appointed as a Non-Executive Director on 26 May 2015 and as Chairman on 3 July 2015.

The Company's Articles of Association require that newly appointed Directors offer themselves for election at the first AGM following their appointment and that all Directors stand for re-election at least once every three years. Details of those seeking re-election are contained in the notice of the forthcoming AGM.

Brief biographical details for each Director are set out on page 29. Details of Committee memberships are set out on pages 30 to 38 of the corporate governance section.

Details of Directors' beneficial interests in and options over the Company's shares are set out in the Directors' remuneration report on pages 36 to 38.

Pages 29 to 38 are by reference part of the Directors' report.

Insurance

The Company has appropriate insurance cover in place in respect of any potential litigation against Directors.

Dividends

The Directors recommend that no final dividend be paid in respect of 2015. No dividends have been paid in either the current or prior year.

General meetings

The AGM of the Company is to be held on 18 May 2016. The notice of the AGM and an explanation of the non-routine business are set out in the explanatory circular that accompanies this Annual Report. As announced on 21 March 2016, a further general meeting has been requisitioned by Schroders. Shareholders will have received a separate notice and explanatory circular in relation to this meeting, which will be held on 5 May 2016. The notices of both general meetings specify deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be proposed at the meetings.

Directors' report continued

Substantial shareholdings

On 31 December 2015, the Company had been notified, in accordance with the Disclosure and Transparency Rules of the FCA, of the notifiable interests in the ordinary share capital of the Company set out in the table below. As far as the Directors are aware, as at 31 December 2015 no person had a beneficial interest in 3% or more of the voting share capital except for the following:

Name	Ordinary shares (thousands)	%
Funds managed by Phoenix Asset Management Partners Limited	335,327	39.3%
Milton Magna Limited (a company controlled by Mr Hamish Ogston)	264,144	31.0%
Mr Hamish Ogston	96,332	11.3%
Schroder plc	85,378	10.0%

Mr Hamish Ogston holds a beneficial interest in 42.3% of the issued shares of the Company. Under the terms of a Relationship Agreement between Mr Ogston and the Company dated 22 December 2014 and effective from the Company's admission to AIM, for so long as Mr Ogston and any person or corporate body connected to him (a "Controlling Shareholder") holds, in aggregate, 30% or more of the ordinary shares or the voting rights attaching to the shares, Mr Ogston shall not and shall procure that each Controlling Shareholder shall not:

- vote in favour of, or propose any resolution to amend the Articles which would be contrary to the principle of the independence of the Company from the shareholder or any of the Controlling Shareholders;
- take any action which precludes any member of the Group from carrying on its business independently of Mr Ogston or any Controlling Shareholder; or
- take any action (or omit to take any action) to prejudice the Company's status as a Company admitted to AIM or its suitability for admission to AIM or the Company's compliance with the AIM Rules, other than in the circumstances of a takeover or merger of the Company.

Capital structure

Details of the issued share capital, together with movements in the Company's issued share capital for the period, can be found in note 29 to the consolidated financial statements. The Company's capital comprises ordinary shares of 1 penny each, which carry no right to fixed income. Each fully paid share carries the right to one vote at a general meeting of the Company.

The Company also has deferred shares which carry no voting rights, no rights to dividend and only very limited rights on a return of capital.

Details of the Group's employee share schemes are set out in note 30.

Change of control provisions

Some agreements to which the Company or its subsidiaries are a party may be at risk of termination by counterparties in certain restricted circumstances in the event of a change of control of the Company. The Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Under the terms of the 2016 LTIP, in the event of a sale of the Company before the end of the performance period, the whole award will be subject to the share price performance targets set out in that award, and the award will vest to the extent to which the offer price falls within the range of share price performance targets ("Performance Condition Adjustment"). Stephen Callaghan and Michael Corcoran have received undertakings that, if and to the extent that they receive an award under the LTIP for the three year performance periods commencing 1 January 2017 and 1 January 2018, such awards will include an equivalent Performance Condition Adjustment.

Going concern

In reaching their view on the preparation of the Group's financial statements on a going concern basis, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

The Group is in a much improved financial position following the successful equity raise, restructure of liabilities and refinancing in February 2015, which returned the consolidated balance sheet to net assets and significantly increased the Group's net funds. The Group's operating performance has improved following difficult but necessary decisions taken in the current and prior year. Residual redress obligations are now substantially complete. Whilst there continues to be some uncertainty from medium term trading and strategic risk, the Group's forecasts show that the Group has the necessary resources to trade and operate within the level of its borrowing facilities. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Deloitte LLP has expressed its willingness to continue in office as auditor. Accordingly, a resolution to reappoint Deloitte LLP will be proposed at the AGM.

By order of the Board

Lorraine Beavis
Company Secretary
6 April 2016

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report & Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and Article 4 of the IAS Regulation and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the accounts until they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing the consolidated financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

In preparing the Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the Financial Reporting Standard 101 'Reduced Disclosure Framework' has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Company financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit/loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Stephen Callaghan
Chief Executive Officer
6 April 2016

Michael Corcoran
Chief Financial Officer
6 April 2016

Independent Auditor's report

to the members of CPPGroup Plc

Opinion on financial statements of CPPGroup Plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

The financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and parent company balance sheets, the consolidated and parent company statements of changes in equity, the consolidated cash flow statement and the related notes 1 to 34. The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

We have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 3 to the financial statements and the Directors' statement on the longer-term viability of the Group contained within the corporate governance report on page 32.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Risk

Going concern

As a result of the financial impact of the historical customer redress scheme, continuing restrictions on new regulated business sales in the United Kingdom, and the requirement to trade in line with expectations and maintain compliance with lending covenants, the going concern status of the Group has been identified as a significant risk.

As disclosed by Management in the Director's report on page 40, and notes 25 and 29 to the consolidated financial statements, the Group has refinanced and restructured and the main elements of the customer redress scheme were concluded in the prior year. Whilst there continues to be uncertainty in relation to trading and residual redress risk, along with medium term strategic risk, the refinancing has resulted in an improvement in the Group's financial position such that there is no longer a material uncertainty in relation to the Group's ability to meet its liabilities as they fall due during the 12 months from the date of this report. The sustainability of the business beyond this period will depend on the mitigation of the medium term strategic risk through the formulation of a viable strategy.

We have nothing material to add or draw attention to in relation to:

- the Directors' confirmation on page 26 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 26 to 28 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in note 3 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; and
- the Directors' explanation on page 40 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

How the scope of our audit responded to the risk

We have evaluated the going concern assessment prepared by Management. This involved assessing the design and implementation of key controls in relation to the monitoring and evaluation of going concern, such as the production and review of forecasts used by Management.

We challenged the underlying forecast and budget assumptions including expected growth rates and key factors such as renewal rates with reference to historical information. We also evaluated historical forecasting accuracy, the sensitivity of the going concern status to key assumptions such as new product sales, anticipated cost savings and new business contributions, current and forecast compliance with the terms of the Group's borrowing facilities and the impact of other uncertainties including the remaining residual redress risk.

Our assessment of risks of material misstatement continued

Risk

How the scope of our audit responded to the risk

Completeness of provisions for customer redress and associated costs

The Group holds £1.6 million of customer redress and associated costs provisions at year end (2014: £6.4 million). The determination of the value of the provisions requires significant judgement in the selection of key assumptions such as future customer redress response rates, the size of the population of underlying customer policies affected by historical mis-selling or other issues, and the level of redress payable per customer.

Customer redress and associated costs provisions are detailed in note 26 to the consolidated financial statements. Management's associated critical accounting judgements are included in note 4.

We considered the design and implementation of Management's controls in relation to the identification and response to regulatory risks.

We reviewed the key regulatory risks by reference to recent regulatory authority announcements, correspondence with local and overseas regulators, and the Group's complaints logs. We also met with the Group legal department and relevant Management across the Group and reviewed relevant Board minutes to evaluate any identified exposures.

We evaluated the appropriateness of Management's assumptions in deriving the provisions for customer redress and associated costs, including reviewing expected response rates and average redress per customer against the Group's experience to date. We have also performed sensitivity analyses on these assumptions.

In addition, we have carried out detailed substantive procedures validating the utilisation of provisions during the year.

Revenue recognition

There are significant judgements involved in applying the Group's revenue recognition policies across multiple products, in particular determining the appropriate deferral of revenue where the Group has future servicing obligations to customers and also in determining revenue refund provisions for customers who cancel during the 'cooling off' periods on buying or renewing the Group's products, calculated on the basis of historical experience.

Management's associated accounting policies are detailed in note 3 to the consolidated financial statements.

We evaluated the design and implementation and tested the operating effectiveness of controls over revenue recognition, including the reconciliation of underlying policy collections to recorded revenue and the calculation of refund provisions. We also performed tests of key controls in relation to the Group's core administration systems supporting the revenue cycle.

We evaluated the appropriateness of revenue recognition policies applied by reference to the terms and conditions of the underlying products. We tested cancellation provisions by reference to post year end experience, and we also carried out detailed substantive analytical reviews based upon policy volumes, lapse rates and product prices. This testing was supported by tests of detail to supporting documentation and the independent extraction of source policyholder data and recalculations of relevant management information.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 35.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £0.9 million (2014: £1.2 million), which is below 1.2% (2014: 1.2%) of revenue. We used revenue to determine the materiality because profit before tax has been unusually volatile and is not considered to be the key benchmark at the current time.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £17,000 (2014: £30,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at five locations (the United Kingdom and Ireland, Spain, Italy, Turkey and India). Three of these were subject to a full audit, whilst the remaining two (Turkey and India) were subject to an audit

of specified account balances where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations. These locations represent the principal business units and account for 95% (2014: 92%) of the Group's net assets, 91% (2014: 91%) of the Group's revenue and 98% (2014: 80%) of the Group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the five locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from £0.2 million to £0.4 million (2014: £0.2 million to £0.7 million).

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team continued to follow a programme of planned visits that has been designed so that a senior member of the Group audit team visits each of the locations where the Group audit scope was focused at least once every two years. We included a location visit to Italy in our planning of the audit. In years when we do not visit a significant component we will include the component audit partner and team in our team briefing, discuss their risk assessment, and review documentation of the findings from their work.

Independent Auditor's report continued

to the members of CPPGroup Plc

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made. We have nothing to report arising from this matter.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Other matters

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the provisions of the Companies Act 2006 that would have applied were the Company a quoted company.

Although not required to do so, the Directors have voluntarily chosen to make a corporate governance statement detailing the extent of their compliance with the UK Corporate Governance Code. We reviewed the part of the corporate governance statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and/or those further matters we have expressly agreed to report to them in our engagement letter and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Peter Birch FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom
6 April 2016

Consolidated income statement

For the year ended 31 December 2015

	Note	2015 £'000	2014 restated (note 3) £'000
Continuing operations			
Revenue	5	76,771	96,528
Cost of sales		(32,346)	(49,895)
Gross profit		44,425	46,633
Administrative expenses		(21,443)	(49,848)
Operating profit/(loss)		22,982	(3,215)
Analysed as:			
Underlying operating profit	5	6,863	2,807
Exceptional items	6	17,777	(6,022)
MSP charges	30	(1,658)	—
Investment revenues	10	282	432
Finance costs	11	(1,362)	(2,147)
Profit/(loss) before taxation		21,902	(4,930)
Taxation	12	(3,374)	1,674
Profit/(loss) for the year from continuing operations		18,528	(3,256)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	15	2,309	(3,493)
Profit/(loss) for the year attributable to equity holders of the Company	7	20,837	(6,749)
		Pence	Pence
Basic earnings/(loss) per share			
Continuing operations	14	2.42	(1.90)
Discontinued operations	14	0.30	(2.04)
Total		2.72	(3.94)
		Pence	Pence
Diluted earnings/(loss) per share			
Continuing operations	14	2.41	(1.90)
Discontinued operations	14	0.30	(2.04)
Total		2.71	(3.94)

Consolidated statement of comprehensive income

For the year ended 31 December 2015

	2015 £'000	2014 £'000
Profit/(loss) for the year	20,837	(6,749)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	271	111
Other comprehensive income for the year net of taxation	271	111
Total comprehensive income/(expense) for the year attributable to equity holders of the Company	21,108	(6,638)

Balance sheets

As at 31 December 2015

Note	Consolidated		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Non-current assets				
Intangible assets	16	4,825	808	—
Property, plant and equipment	17	3,502	3,820	—
Investments	18	—	—	15,169
Deferred tax asset	27	652	2,248	165
		8,979	6,876	15,169
Current assets				
Insurance assets	19	317	593	—
Inventories	20	43	93	—
Trade and other receivables	21	12,106	15,709	66,385
Cash and cash equivalents	22	39,810	40,599	4,843
		52,276	56,994	56,040
Total assets		61,255	63,870	86,752
Current liabilities				
Insurance liabilities	23	(1,189)	(2,019)	—
Income tax liabilities		(2,483)	(2,231)	—
Trade and other payables	24	(42,629)	(40,631)	(19,495)
Borrowings	25	—	—	(1,538)
Provisions	26	(2,254)	(7,041)	—
		(48,555)	(51,922)	(19,441)
Net current assets		3,721	5,072	51,733
Non-current liabilities				
Borrowings	25	(2,191)	(32,733)	—
Deferred tax liabilities	27	(308)	(126)	—
Trade and other payables	24	—	(8,991)	—
Provisions	26	(186)	(973)	—
		(2,685)	(42,823)	—
Total liabilities		(51,240)	(94,745)	(19,495)
Net assets/(liabilities)		10,015	(30,875)	67,257
Equity				
Share capital	29	23,939	17,126	23,939
Share premium account		45,225	33,291	45,225
Merger reserve		(100,399)	(100,399)	—
Translation reserve		991	720	—
Equalisation reserve	23	6,243	7,487	—
ESOP reserve		13,093	11,891	6,467
Retained earnings/(accumulated losses)		20,923	(991)	(8,374)
Total equity/(deficit) attributable to equity holders of the Company		10,015	(30,875)	67,257
				51,768

Approved by the Board of Directors and authorised for issue on 6 April 2016 and signed on its behalf by:

Stephen Callaghan
Chief Executive Officer

Michael Corcoran
Chief Financial Officer

Company registration number: 07151159

Consolidated statement of changes in equity

For the year ended 31 December 2015

	Note	Share capital £'000	Share premium account £'000	Merger reserve £'000	Translation reserve £'000	Equalisation reserve £'000	ESOP reserve £'000	Retained earnings/ (accumulated losses) £'000	Total £'000
At 1 January 2014		17,120	33,292	(100,399)	609	8,129	11,688	5,259	(24,302)
Total comprehensive expense		—	—	—	111	—	—	(6,749)	(6,638)
Movement on equalisation reserve	23	—	—	—	—	(642)	—	642	—
Current tax charge on equalisation reserve movement	12	—	—	—	—	—	—	(138)	(138)
Equity settled share-based payment charge	30	—	—	—	—	—	203	—	203
Deferred tax on share-based payment charge	12	—	—	—	—	—	—	1	1
Exercise of share options	6	(1)	—	—	—	—	—	(6)	(1)
At 31 December 2014		17,126	33,291	(100,399)	720	7,487	11,891	(991)	(30,875)
Total comprehensive income		—	—	—	271	—	—	20,837	21,108
Movement on equalisation reserve	23	—	—	—	—	(1,244)	—	1,244	—
Current tax charge on equalisation reserve movement	12	—	—	—	—	—	—	(252)	(252)
Equity settled share-based payment charge	30	—	—	—	—	—	1,466	—	1,466
Deferred tax on share-based payment charge	12	—	—	—	—	—	—	86	86
Purchase of ordinary shares	29	—	—	—	—	—	(264)	—	(264)
Exercise of share options	29	1	(1)	—	—	—	—	(1)	(1)
Other ordinary share issues	29	6,812	11,935	—	—	—	—	—	18,747
At 31 December 2015		23,939	45,225	(100,399)	991	6,243	13,093	20,923	10,015

Company statement of changes in equity

For the year ended 31 December 2015

	Note	Share capital £'000	Share premium account £'000	ESOP reserve £'000	Accumulated losses £'000	Total £'000
At 1 January 2014		17,120	33,292	5,062	(1,419)	54,055
Total comprehensive expense		—	—	—	(2,489)	(2,489)
Equity settled share-based payment charge	30	—	—	203	—	203
Exercise of share options	29	6	(1)	—	(6)	(1)
At 31 December 2014		17,126	33,291	5,265	(3,914)	51,768
Total comprehensive expense		—	—	—	(4,545)	(4,545)
Equity settled share-based payment charge	30	—	—	1,466	—	1,466
Deferred tax on share-based payment charge	12	—	—	—	86	86
Purchase of ordinary shares	29	—	—	(264)	—	(264)
Exercise of share options	29	1	(1)	—	(1)	(1)
Other ordinary share issues	29	6,812	11,935	—	—	18,747
At 31 December 2015		23,939	45,225	6,467	(8,374)	67,257

Consolidated cash flow statement

For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Net cash used in operating activities	31	(1,360)	(32,906)
Investing activities			
Interest received		282	432
Purchases of property, plant and equipment		(194)	(190)
Purchases of intangible assets		(4,435)	(406)
Cash consideration in respect of sale of discontinued operation	15	—	275
Credit associated with disposal of discontinued operation	15	—	28
Investment in joint venture	15	—	(1,000)
Net cash used in investing activities		(4,347)	(861)
Financing activities			
Repayment of bank loans		(12,000)	—
(Repayment of)/proceeds from the Commission Deferral Agreement		(1,304)	8,831
Proceeds from the Second Commission Deferral Agreement		1,304	—
Interest paid		(903)	(514)
Costs of refinancing the bank facility		(220)	—
Costs of compromising the Commission Deferral Agreement		(743)	(193)
Issue of ordinary share capital and associated costs		18,980	(499)
Net cash from financing activities		5,114	7,625
Net decrease in cash and cash equivalents		(593)	(26,142)
Effect of foreign exchange rate changes		(196)	(159)
Cash and cash equivalents at 1 January		40,599	66,900
Cash and cash equivalents at 31 December	22	39,810	40,599

Notes to the financial statements

1. General information

CPPGroup Plc is a company incorporated in England and Wales under the Companies Act 2006 and domiciled in the United Kingdom. Its registered office is Holgate Park, York YO26 4GA. The Group comprises CPPGroup Plc and its subsidiaries. The Group's principal activity during the year was the provision of assistance products.

The consolidated and Company financial statements are presented in Pounds Sterling, the functional currency of the Company. Foreign operations are included in accordance with the policies set out in note 3.

The Company has taken advantage of the exemption in the Companies Act 2006, Section 408, not to present its own income statement. The Company reported a loss after tax for the year of £4,545,000 (2014: £2,489,000). There have been no dividends received from subsidiary undertakings in either the current or prior year.

2. Adoption of new Standards

New Standards adopted

The following Standards and Interpretations have become effective and have been adopted in these financial statements. Their adoption has not had any material impact on the Group. No Standards or Interpretations have been adopted early in these financial statements.

Standard/Interpretation	Subject
Annual improvements to IFRSs	2011-2013 Cycle

Standards not yet applied

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and in some cases have not yet been adopted by the EU):

Standard/Interpretation	Subject	Period first applies (year ended)
Annual improvements to IFRSs	2010-2012 cycle	31 December 2016
IAS 1 (amendments)	Disclosure Initiative	31 December 2016
IAS 16 and IAS 38 (amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation	31 December 2016
Annual improvements to IFRSs	2012-2014 Cycle	31 December 2016
IFRS 15	Revenue from Contracts with Customers	31 December 2017
IFRS 9	Financial Instruments	31 December 2018
IFRS 16	Leases	31 December 2019

The Directors do not anticipate that the adoption of these Standards and Interpretations in future periods will have a material impact on the Group.

3. Significant accounting policies

Basis of preparation

These consolidated financial statements on pages 45 to 82 present the performance of the Group for the year ended 31 December 2015. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS and therefore comply with Article 4 of the EUIAS Regulation. The consolidated financial statements have also been prepared under the historical cost basis.

In preparing the consolidated financial statements the comparative amounts have been restated to reflect the Airport Angel business as discontinued.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the Company has changed its accounting framework from UK GAAP to FRS 101 as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These Company financial statements on pages 47 to 82 were prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. There is not a material impact on the Company financial statements from the change in accounting framework. The Company financial statements have also been prepared under the historical cost basis.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available in relation to standards not yet effective, presentation of a cash flow statement, share-based payments and related party transactions.

Going concern

The Board of Directors has, at the time of approving the consolidated financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus it continues to adopt the going concern basis of accounting in preparing the consolidated financial statements. Further details of the Directors' assessment are set out in the Directors' report on page 39.

3. Significant accounting policies continued

Basis of consolidation

The consolidated financial statements include the results, cash flows, assets and liabilities of the Company and the entities under its control. Control is achieved when the Company has power over the investee; is exposed, or has rights to variable return from its involvement with the investee; and has the ability to use its power to affect its returns.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal. Adjustments are made, where necessary, to the financial statements of subsidiaries to bring their accounting policies into line with Group policies. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Exceptional items

Items which are exceptional, being material in terms of size and/or nature, are presented separately from underlying business performance in the consolidated income statement. The separate reporting of exceptional items helps provide an indication of the Group's underlying business performance.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Share-based payments

Prior to the Company's shares being transferred to AIM, the Group issued share options to certain of its employees through the Executive Share Option Plan (ESOP), the Long Term Incentive Plan (LTIP), the Restricted Stock Plan (RSP), the Deferred Share Bonus Plan (DSBP) and the ShareSAVE Plan. Costs in relation to these plans are presented within administrative expenses in the consolidated income statement.

Subsequent to the transfer to AIM the Group has issued options under the Matching Share Plan (MSP). Costs in relation to this plan are disclosed within administrative expenses and are not included in underlying operating profit.

Share options are treated as equity settled if the Group has the ability to determine whether to settle exercises in cash or by the issue of shares. Share options are measured at fair value at the date of grant, based on the Group's estimate of shares that will eventually vest, and adjusted for the effect of non-market based vesting conditions each year. Non-market vesting conditions include a change in control of the Group and are considered by the Directors at each year end. The fair value of equity settled share-based payments is expensed in the consolidated income statement on a straight line basis over the vesting period, with a corresponding increase in equity, subject to adjustment for forfeited options.

The fair value of share options is measured by use of the Black Scholes option pricing model and the Monte Carlo simulation model.

Assistance products

Recognition of revenue

Revenue attributable to the Group's assistance products is generally comprised of the prices paid by customers for the assistance products net of underwriting fees and exclusive of any sales taxes.

Revenue is generally split into two categories: introduction fees and claims management fees. Introduction fees are recognised on inception of the arrangement. Claims management fees are recognised over the period of the underlying contract and, where revenue is deferred to match the Group's future servicing obligations, under assistance product contracts, the amount deferred corresponds to the relevant fair values of the unprovided services. The amount deferred is sufficient to cover future claims handling costs and an appropriate profit margin, and is calculated by reference to historical experience of claims handling costs and incidence. Provisions for cancellations are made at the time revenue is recorded and are deducted from revenue.

For certain other of the Group's assistance products, there are no introduction fees. In these arrangements, revenue is comprised of the subscriptions received from members, net of underwriting fees and exclusive of any sales taxes. These subscriptions are recognised over the life of the service provided.

Wholesale revenue is generally comprised of fees billed directly to Business Partners, exclusive of any sales taxes, and is recognised as those fees are earned.

Non-policy revenue is comprised of fees billed directly to customers or Business Partners for services provided under separate non-policy based arrangements. Such revenue is recognised, exclusive of any sales taxes, as those fees are earned.

Notes to the financial statements continued

3. Significant accounting policies continued

Assistance products continued

Cost of sales

Cost of sales attributable to the Group's assistance products represents the costs of acquiring customers and includes marketing costs and commissions paid to Business Partners. Commissions are recognised in line with the revenue to which they relate. Marketing costs include all telemarketing, direct mail and fulfilment costs. These costs are expensed as incurred.

Cost of sales attributable to the assistance elements of the Group's wholesale products represents the costs of providing those services including third party costs. This includes all mailing and fulfilment costs which are expensed as incurred. Third party costs relate to relationships with suppliers who provide elements of the service and are expensed as incurred.

Insurance contracts

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when the Group agrees to compensate a policyholder if a specified uncertain future event (other than a change in a financial variable) adversely affects the policyholder.

Recognition of revenue

Revenue attributable to the Group's insurance contracts comprises premiums paid by customers and is exclusive of any sales taxes and similar duties. Premiums from insurance policies are recognised as revenue on a straight line basis over the life of the policy.

Provisions for unearned premiums are made, representing the part of gross premiums written that is estimated to be earned in the following or subsequent financial periods, on a straight line basis for each policy. The provision for unearned premiums is recorded under insurance liabilities on the consolidated balance sheet.

Cost of sales

Cost of sales attributable to the Group's insurance contracts consists of the costs, both direct and indirect, of acquiring insurance policies, commissions, reinsurance premiums payable to third parties and insurance claims incurred (net of reinsurance recoveries).

Acquisition costs are amortised over the life of the average policy. Acquisition costs which are expensed in the following or subsequent accounting periods are recorded in the balance sheet as deferred acquisition costs and include a proportionate allowance for commissions and post-sale set up costs incurred in respect of unearned premium not amortised at the balance sheet date.

Reinsurance premiums are accounted for in the same accounting period as the premiums for the related business.

Insurance claims provisions

Claims incurred comprise the Group's claims payments and internal settlement expenses during the period together with the movement in the Group's provision for outstanding claims over the period, including an estimate for claims incurred but not reported. Differences between the estimated cost and subsequent settlement of claims are recognised in the consolidated income statement in the year in which they are settled.

Reinsurance recoveries are accounted for in the same accounting period as the related claims.

Equalisation reserve

An equalisation reserve has been established in accordance with the requirements of the Equalisation Reserve Rules contained within the Prudential Sourcebook for Insurers and the General Prudential Sourcebook. Movements on the reserve are shown as a movement between retained earnings and the equalisation reserve.

Discontinued operations

Operations are classified as discontinued when they are either disposed or are part of a single co-ordinated plan to dispose, and represent, a major line of business or geographical area of operation.

Intangible assets

Externally acquired software

Externally acquired software is measured at purchase cost and is amortised on a straight line basis over its estimated useful life of four to five years.

Internally generated software

Internally generated intangible assets arising from the Group's software development programmes are recognised from the point at which the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally generated software is amortised on a straight line basis over its estimated useful life of four to five years.

Contractual arrangements with third parties

The Group's contractual arrangements can give rise to intangible assets. Where a contractual payment gives access to and control of future economic benefits, in the form of future renewal income streams, this amount is recognised as an asset and then amortised in line with the forecast benefits over the shorter of the contractual arrangement and the period when benefits are expected to arise.

3. Significant accounting policies continued

Intangible assets continued

Intangible assets arising on business combinations

Intangible assets arising from business combinations are initially stated at their fair values and amortised over their useful economic lives as follows:

Business Partner relationships: in line with the relevant projected revenues.

Business Partner relationships represent the present value of net revenues and costs expected to arise from contractual arrangements and non-contractual relationships with existing and pipeline Business Partners at the date of acquisition.

Amortisation of contractual arrangements with third parties is charged to cost of sales. Amortisation of all other intangible assets is charged to other administrative expenses.

Impairment

Annually the Group reviews the carrying amounts of its intangible assets to determine whether there is indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit may be increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash generating unit in prior years.

Property, plant and equipment

Property, plant and equipment are shown at purchase cost, net of accumulated depreciation.

Depreciation is provided at rates calculated to write off the costs, less estimated residual value, of each asset over its expected useful life as follows:

Freehold property:	40 years straight line
Computer systems:	4–5 years straight line
Furniture and equipment:	4 years straight line
Leasehold improvements:	Over the shorter of the life of the lease and the useful economic life of the asset
Freehold land	is not depreciated.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank deposits with a term from inception of three months or less, less bank overdrafts where there is a right to offset. Bank overdrafts are presented as current liabilities to the extent that there is no right to offset with cash balances in the same currency.

Leases

Operating lease rentals are charged to the consolidated income statement on a straight line basis over the term of the lease.

Taxation

Taxation on the profit or loss for the year comprises both current and deferred tax as well as adjustments in respect of prior years. Taxation is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the tax is also included within equity. Current tax is the expected tax payable on the taxable income for the year using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on all taxable and deductible temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiary undertakings except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group/Company intends to settle its current tax assets and liabilities on a net basis.

Pension costs

Pension costs represent contributions made by the Group to defined contribution pension schemes. These are expensed as incurred.

Notes to the financial statements continued

3. Significant accounting policies continued

Foreign currencies

In preparing the financial information of the individual entities that comprise the Group, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences are classified as equity and transferred to the Group's translation reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign entities are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

On disposal of foreign operations, the cumulative amount of exchange differences previously recognised directly in equity for that foreign operation are to be transferred to the consolidated income statement as part of the profit or loss on disposal.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Trade receivables, loans, other receivables or cash and cash equivalents that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recorded at fair value and subsequently at amortised cost using the effective interest method, less allowance for any estimated irrecoverable amounts.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at the proceeds received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derivative financial instruments

The Group's activities expose it to the financial risks of changes in interest rates. For material risks, the Group evaluates and considers the use of derivative financial instruments, principally interest rate swaps, to reduce its exposure to interest rate movements.

When derivatives are used they are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the consolidated income statement immediately unless the derivative is designated and effective as a hedging instrument.

4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of consolidated financial statements in accordance with IFRS requires the use of assumptions, estimates and judgements about future conditions. The use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future may differ from those reported. The key estimates and assumptions used in these consolidated financial statements are set out below.

Provisions

The Group's provisions are detailed in note 26. The remaining provisions include estimates relating to response rates for customer redress and the non-utilisation period at a vacated office in the UK.

Any changes to the estimates applied would lead to a change in the provisions required which would be reflected through the consolidated income statement.

Share-based payments

Determining the fair value of share options granted requires estimation of items including share price volatility and risk-free rates. Details of the assumptions made are included in note 30.

Different assumptions would alter the share-based payment charge for the current and subsequent periods. Valuations for equity settled share-based payments are set at grant date.

4. Critical accounting judgements and key sources of estimation uncertainty continued

Current tax

The calculation of the Group's total tax charge necessarily involves a degree of estimation and judgement due to the complex tax regulations in the countries in which the Group operates, where filed tax positions may remain open to challenge by local tax authorities for several years. Corporation tax is therefore accrued on the Directors' assessment of specific tax law and likelihood of settlement.

Any changes to estimates of uncertain tax positions would be reflected through the consolidated income statement.

5. Segmental analysis

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors to allocate resources to the segments and to assess their performance.

The Group is managed on the basis of three broad geographical regions:

- UK and Ireland;
- Europe and Latin America (Spain, Italy, Germany, Turkey, Mexico, Portugal, France and Brazil); and
- Asia Pacific (India, Hong Kong, China, Malaysia and Singapore).

Segment revenues and performance have been as follows:

	UK and Ireland 2015 £'000	Europe and Latin America 2015 £'000	Asia Pacific 2015 £'000	Total 2015 £'000
Year ended 31 December 2015				
Continuing operations				
Revenue - external sales	42,979	25,455	8,337	76,771
Cost of sales	(14,939)	(12,479)	(4,928)	(32,346)
Gross profit	28,040	12,976	3,409	44,425
Depreciation and amortisation	(292)	(264)	(30)	(586)
Other administrative expenses excluding exceptional items and MSP charges	(25,759)	(8,118)	(3,099)	(36,976)
Regional underlying operating profit	1,989	4,594	280	6,863
Exceptional items (note 6)				17,777
MSP charges				(1,658)
Operating profit				22,982
Investment revenues				282
Finance costs				(1,362)
Profit before taxation				21,902
Taxation				(3,374)
Profit for the year from continuing operations				18,528
Discontinued operations				
Profit for the year from discontinued operations (note 15)				2,309
Profit for the year				20,837

For the purposes of resource allocation and assessing performance, operating costs and revenues are allocated to the regions in which they are earned or incurred. The above does not reflect additional net charges of central costs of £1,704,000, presented within UK and Ireland in the table above, which has been charged to other regions for statutory purposes.

Notes to the financial statements continued

5. Segmental analysis continued

	UK and Ireland 2014 £'000	Europe and Latin America 2014 £'000	Asia Pacific 2014 £'000	Total 2014 £'000
Year ended 31 December 2014 – restated (note 3)				
Continuing operations				
Revenue – external sales	57,412	32,463	6,653	96,528
Cost of sales	(29,919)	(16,357)	(3,619)	(49,895)
Gross profit	27,493	16,106	3,034	46,633
Depreciation and amortisation	(1,243)	(784)	(34)	(2,061)
Other administrative expenses excluding exceptional items	(28,372)	(10,160)	(3,233)	(41,765)
Regional underlying operating (loss)/profit	(2,122)	5,162	(233)	2,807
Exceptional items (note 6)				(6,022)
Operating loss				(3,215)
Investment revenues				432
Finance costs				(2,147)
Loss before taxation				(4,930)
Taxation				1,674
Loss for the year from continuing operations				(3,256)
Discontinued operations				
Loss for the year from discontinued operations (note 15)				(3,493)
Loss for the year				(6,749)

For the purposes of resource allocation and assessing performance, operating costs and revenues are allocated to the regions in which they are earned or incurred. The above does not reflect additional net charges of central costs of £1,845,000, presented within UK and Ireland in the table above, which has been charged to other regions for statutory purposes.

Segment assets

	2015 £'000	2014 restated (note 3) £'000
UK and Ireland	47,667	49,346
Europe and Latin America	8,074	7,012
Asia Pacific	4,065	2,937
Total segment assets	59,806	59,295
Assets relating to discontinued operations	797	2,327
Unallocated assets	652	2,248
Consolidated total assets	61,255	63,870

Deferred tax is not allocated to segments.

Capital expenditure

	Intangible assets		Property, plant and equipment	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Continuing operations				
UK and Ireland	4,415	393	129	118
Europe and Latin America	21	13	48	61
Asia Pacific	—	—	17	11
Additions from continuing operations	4,436	406	194	190

5. Segmental analysis continued
Revenues from major products

	2015 £'000	2014 restated (note 3) £'000
Continuing operations		
Retail assistance policies	68,139	82,652
Retail insurance policies	5,384	10,229
Wholesale policies	2,344	2,802
Non-policy revenue	904	845
Revenue from continuing operations	76,771	96,528
Discontinued operations	13,107	12,278
Consolidated total revenue	89,878	108,806

Major product streams are disclosed on the basis monitored by the Board of Directors. For the purpose of this product analysis, 'retail assistance policies' are those which may be insurance backed but contain a bundle of assistance and other benefits; 'retail insurance policies' are those which protect against a single insurance risk; 'wholesale policies' are those which are provided by Business Partners to their customers in relation to an ongoing product or service which is provided for a specified period of time; and 'non-policy revenue' is that which is not in connection with providing an ongoing service to policyholders for a specified period of time.

Disclosures in notes 8, 19 and 23 regarding accounting for insurance contracts provide information relating to all contracts within the scope of IFRS 4 and therefore include both retail insurance policies and the insurance components of retail assistance and wholesale policies.

Geographical information

The Group operates across a wide number of territories, of which the UK and Spain are considered individually material. Revenue from external customers and non-current assets (excluding deferred tax) by geographical location is detailed below:

	External revenues		Non-current assets	
	2015 £'000	2014 restated (note 3) £'000	2015 £'000	2014 restated (note 3) £'000
Continuing operations				
UK	42,179	56,134	8,062	4,064
Spain	11,873	15,215	122	176
Other	22,719	25,179	143	352
Total continuing operations	76,771	96,528	8,327	4,592
Discontinued operations	13,107	12,278	—	36
	89,878	108,806	8,327	4,628

Information about major customers

There are no customers in either the current or prior year from which the Group earns more than 10% of its revenue.

Notes to the financial statements continued

6. Exceptional items

	Note	2015 £'000	2014 restated (note 3) £'000
Commission deferral compromise and associated costs	7	(19,388)	744
Customer redress and associated costs	26	900	3,000
Restructuring costs	7	711	2,278
Exceptional (credit)/charge included in operating profit or loss		(17,777)	6,022
Tax on exceptional items		2,344	(646)
Total exceptional (credit)/charge after tax		(15,433)	5,376
Discontinued operations after tax		(38)	301
		(15,471)	5,677

The gain from the commission deferral compromise and associated costs of £19,388,000 (2014: £744,000 charge) relates to the settlement in full of the Commission Deferral Agreement for a payment of £1,304,000, net of costs associated with finalising the agreement to compromise.

The customer redress and associated costs of £900,000 (2014: £3,000,000) relate to the latest estimate with respect to residual customer redress activity, which has arisen following changes to commission arrangements in the UK.

The restructuring costs of £711,000 (2014: £2,278,000) principally relate to redundancy programmes and associated costs across the Group. The majority of this cost is located in Spain.

7. Profit/(loss) for the year

	Note	Continuing operations		Discontinued operations		Total	
		2015 £'000	2014 restated (note 3) £'000	2015 £'000	2014 restated (note 3) £'000	2015 £'000	2014 £'000
Profit/(loss) for the year has been arrived at after charging/(crediting):							
Operating lease charges		1,801	2,105	15	68	1,816	2,173
Net foreign exchange losses/(gains)		136	(24)	11	2	147	(22)
Depreciation of property, plant and equipment	17	450	1,189	15	82	465	1,271
Amortisation of intangible assets	16	391	2,884	—	—	391	2,884
Loss on disposal of property, plant and equipment		16	43	—	—	16	43
Customer redress and associated costs	26	900	3,000	—	—	900	3,000
Commission deferral compromise and associated costs	6	(19,388)	744	—	—	(19,388)	744
Restructuring costs/(credit)	6	9	757	(97)	237	(88)	994
Impairment of intangible assets and property, plant and equipment	6	—	26	21	60	21	86
Share-based payments	30	1,466	203	—	—	1,466	203
Restructuring costs	6	702	1,495	23	4	725	1,499
Other staff costs		26,090	26,517	815	1,908	26,905	28,425
Total staff costs	9	28,258	28,215	838	1,912	29,096	30,127
Write-down of inventories recognised as an expense		3	—	14	—	17	—
Movement on allowance for doubtful trade receivables	21	4	(67)	76	8	80	(59)

7. Profit/(loss) for the year continued

Fees payable to Deloitte LLP and its associates for audit and non-audit services are as follows:

	2015 £'000	2014 £'000
Payable to the Company's auditor for the audit of the Company and consolidated financial statements	54	57
Fees payable to the Company's auditor and its associates for other services to the Group:		
- Audit of the Company's subsidiaries, pursuant to legislation	243	300
Total audit services	297	357
Audit related assurance services	—	27
Taxation compliance services	25	29
Other taxation advisory services	—	4
Other services	8	—
Total non-audit services	33	60
	330	417

8. Insurance revenues and costs

Revenues and costs arising from all of the Group's insurance contracts as defined by IFRS 4 are set out below. An analysis of the Group's revenue from retail insurance only policies is set out in note 5.

Revenue earned from insurance activities

	2015 £'000	2014 £'000
Gross premiums written	7,662	13,765
Change in provision for unearned premiums	595	884
Earned premiums	8,257	14,649

Costs incurred from insurance activities

	2015 £'000	2014 £'000
Reinsurance premiums credited	—	(27)
Claims paid		
- Gross amount	1,014	4,502
- Reinsurer's share	(3)	(1,147)
- Decrease in provision for gross claims	(235)	(946)
- Increase in provision for reinsurance claims	3	723
	779	3,132
Acquisition costs		
- Costs incurred	261	1,991
- Movement in deferred acquisition costs	129	1,173
	390	3,164
Other expenses	5,630	8,536
	6,799	14,805

The following assumption has a significant impact on insurance revenues:

- Unearned premiums on prepaid insurance policies are recognised as revenue on a straight line basis over the life of the policy. Changes to the expected life of classes of policies will therefore impact the period in which these items are recognised.

Notes to the financial statements continued

9. Staff costs

Staff costs during the year (including Executive Directors)

	Continuing operations		Discontinued operations		Total	
	2015 £'000	2014 restated (note 3) £'000	2015 £'000	2014 restated (note 3) £'000	2015 £'000	2014 £'000
Wages and salaries	22,012	22,269	740	1,711	22,752	23,980
Social security costs	3,374	3,382	62	155	3,436	3,537
Restructuring costs	702	1,495	23	4	725	1,499
Share-based payments (see note 30)	1,466	203	—	—	1,466	203
Pension costs	704	866	13	42	717	908
	28,258	28,215	838	1,912	29,096	30,127

Average number of employees

	2015	2014 restated (note 3)
Continuing operations		
UK and Ireland	335	461
Europe and Latin America	368	376
Asia Pacific	31	38
Total continuing operations	734	875
Discontinued operations		
	31	36
	765	911

The Group utilises third party service providers in a number of its overseas operations.

Details of the remuneration of Directors are included in the Directors' remuneration report on pages 36 to 38.

10. Investment revenues

	Continuing operations		Discontinued operations		Total	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Interest on bank deposits	282	432	—	—	282	432

11. Finance costs

	Continuing operations		Discontinued operations		Total	
	2015 £'000	2014 restated (note 3) £'000	2015 £'000	2014 restated (note 3) £'000	2015 £'000	2014 £'000
Interest on borrowings	326	1,656	—	—	326	1,656
Amortisation of capitalised loan issue costs	1,036	640	—	—	1,036	640
Other	—	(149)	161	149	161	—
	1,362	2,147	161	149	1,523	2,296

12. Taxation

	2015 £'000	2014 restated (note 3) £'000
Continuing operations		
Current tax charge:		
UK corporation tax	299	(433)
Foreign tax	915	1,253
Adjustments in respect of prior years	410	(12)
Total current tax	1,624	808
Deferred tax charge/(credit):		
Origination and reversal of timing differences	1,760	(2,482)
Impact of change in UK tax rates	(10)	—
Total deferred tax	1,750	(2,482)
Total continuing operations	3,374	(1,674)
Discontinued operations	(357)	(24)
	3,017	(1,698)

UK corporation tax is calculated at 20.25% (2014: 21.50%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The UK Finance (No 2) Act 2015 was enacted on 18 November 2015. It provides for a reduction in the main rate of UK corporation tax from 20% to 19% effective from 1 April 2017 and a further reduction to 18% from 1 April 2020. As these rates were substantively enacted prior to 31 December 2015, they have been reflected in the UK deferred tax balance at 31 December 2015.

The charge/(credit) for the year can be reconciled to the profit/(loss) per the consolidated income statement as follows:

	2015 £'000	2014 restated (note 3) £'000
Profit/(loss) before tax from continuing operations	21,902	(4,930)
Effects of:		
Tax at the UK corporation tax rate of 20.25% (2014: 21.50%)	4,435	(1,060)
Movement in unprovided deferred tax	(1,980)	939
Recognition of deferred tax asset previously unprovided	—	(2,318)
Net income not deductible for tax purposes	(40)	(390)
Overseas tax losses not recognised	298	482
Higher tax rates on overseas earnings	216	648
Adjustments in respect of prior years	410	(12)
Impact of change in future tax rates on deferred tax	—	20
Surplus of share option charge compared to tax allowable amount	35	17
Total tax charged/(credited) to income statement	3,374	(1,674)

Income tax charged to reserves during the year was as follows:

	2015 £'000	2014 £'000
Current tax charge		
Movement on equalisation reserve	252	138
Total current tax charge	252	138
Deferred tax credit		
Timing differences on equity settled share-based charge	(86)	(1)
Total deferred tax credit	(86)	(1)
Total tax charged to reserves	166	137

13. Dividends

The Directors have not proposed a final dividend for the year ended 31 December 2015.

Notes to the financial statements continued

14. Earnings/(loss) per share

Basic and diluted earnings/(loss) per share have been calculated in accordance with IAS 33 'Earnings per Share'. Underlying earnings/(loss) per share have also been presented in order to give a better understanding of the performance of the business. In accordance with IAS 33, potential ordinary shares are only considered dilutive when their conversion would decrease the earnings per share from continuing operations attributable to equity holders.

Earnings/(loss)

	Continuing operations		Discontinued operations		Total	
	2015 £'000	2014 restated (note 3) £'000	2015 £'000	2014 restated (note 3) £'000	2015 £'000	2014 £'000
Earnings/(loss) for the purposes of basic and diluted earnings/(loss) per share	18,528	(3,256)	2,309	(3,493)	20,837	(6,749)
Exceptional items (net of tax)	(15,433)	5,376	(38)	(10)	(15,471)	5,366
MSP charges (net of tax)	1,318	—	—	—	1,318	—
Earnings/(loss) for the purposes of underlying basic and diluted earnings/(loss) per share	4,413	2,120	2,271	(3,503)	6,684	(1,383)

Number of shares

	2015 Number restated (note 3) (thousands)	2014 Number restated (note 3) (thousands)
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	766,667	171,622
Effect of dilutive potential ordinary shares: share options	2,748	6,059
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	769,415	177,681

	Continuing operations		Discontinued operations		Total	
	2015 Pence	2014 restated (note 3) Pence	2015 Pence	2014 restated (note 3) Pence	2015 Pence	2014 restated (note 3) Pence
Basic and diluted earnings/(loss) per share:						
Basic	2.42	(1.90)	0.30	(2.04)	2.72	(3.94)
Diluted	2.41	(1.90)	0.30	(2.04)	2.71	(3.94)
Basic and diluted underlying earnings/(loss) per share:						
Basic	0.58	1.23	0.30	(2.04)	0.88	(0.81)
Diluted	0.57	1.19	0.30	(1.97)	0.87	(0.78)

The Group has 171,650,000 deferred shares which have no rights to receive dividends and will only have very limited rights on a return of capital. The deferred shares have not been admitted to trading on AIM or any other Stock Exchange. Accordingly, these shares have not been considered in the calculation of earnings/(loss) per share.

On 19 January 2016, the Company awarded options over 26,050,000 ordinary shares through the 2016 LTIP. This award occurred after the period end and as such is not considered in the current year diluted earnings per share calculation.

15. Discontinued operations

The Group announced on 27 May 2015 its decision to cease providing airport lounge access services (Airport Angel). The closure of the business was completed on 31 December 2015.

In accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" this operation has been presented as a discontinued operation. The comparative figure includes the disposal of Home3 Assistance Limited (Home3) which completed in March 2014.

The consolidated income statement and summary of cash flows of this business are set out below:

(i) Consolidated income statement

	2015	2014 – restated (note 3)			
	Airport Angel £'000	Airport Angel £'000	Home3 £'000	North America £'000	Total £'000
Revenue	13,107	12,278	—	—	12,278
Cost of sales	(8,808)	(10,879)	—	—	(10,879)
Gross profit	4,299	1,399	—	—	1,399
Administrative expenses	(2,186)	(3,982)	—	—	(3,982)
Share of loss of joint venture	—	—	(1,096)	—	(1,096)
Operating profit/(loss)	2,113	(2,583)	(1,096)	—	(3,679)
Analysed as:					
Underlying operating profit/(loss)	2,060	(2,282)	(1,096)	—	(3,378)
Exceptional items	53	(301)	—	—	(301)
Finance costs	(161)	(149)	—	—	(149)
Profit/(loss) before taxation	1,952	(2,732)	(1,096)	—	(3,828)
Taxation	357	24	—	—	24
Profit/(loss) after tax	2,309	(2,708)	(1,096)	—	(3,804)
Profit on disposal	—	—	265	46	311
Profit/(loss) for the year	2,309	(2,708)	(831)	46	(3,493)

The Group has not made any disposals required to comply with IFRS 5 in the current year.

	2015	2014			
	Total £'000	Home3 £'000	North America £'000	Total £'000	
Proceeds	—	275	—	275	
(Costs)/credit associated with disposal	—	(10)	46	36	
Profit on disposal	—	265	46	311	

(ii) Summary of cash flows

	2015 £'000	2014 restated (note 3) £'000
Net cash flows from operating activities	(432)	(3,703)
Net cash flows from investing activities	21	34
Net cash flows from financing activities	(161)	(148)
Cash consideration in respect of sale of discontinued operation	—	275
Credit associated with the disposal of discontinued operation	—	28
Investment in joint venture	—	(1,000)
Net cash outflow	(572)	(4,514)

Notes to the financial statements continued

16. Intangible assets

	Contractual arrangements with third parties £'000	Business relationships £'000	Internally generated software £'000	Externally acquired software £'000	Total £'000
Cost					
At 1 January 2014	17,420	1,211	19,478	19,402	57,511
Additions	—	—	194	212	406
Disposals	—	—	—	(151)	(151)
Exchange adjustments	—	—	—	(66)	(66)
At 1 January 2015	17,420	1,211	19,672	19,397	57,700
Additions	—	—	574	3,862	4,436
Disposals	(17,420)	(1,211)	—	(276)	(18,907)
Exchange adjustments	—	—	—	(83)	(83)
At 31 December 2015	—	—	20,246	22,900	43,146
Accumulated amortisation					
At 1 January 2014	15,153	1,211	19,181	18,667	54,212
Provided during the year	2,012	—	297	575	2,884
Disposals	—	—	—	(147)	(147)
Exchange adjustments	—	—	—	(57)	(57)
At 1 January 2015	17,165	1,211	19,478	19,038	56,892
Provided during the year	255	—	—	136	391
Disposals	(17,420)	(1,211)	—	(275)	(18,906)
Impairment	—	—	—	21	21
Exchange adjustments	—	—	—	(77)	(77)
At 31 December 2015	—	—	19,478	18,843	38,321
Carrying amount					
At 31 December 2014	255	—	194	359	808
At 31 December 2015	—	—	768	4,057	4,825

17. Property, plant and equipment

	Freehold land and property £'000	Leasehold improvements £'000	Computer systems £'000	Furniture and equipment £'000	Total £'000
Cost					
At 1 January 2014	7,278	5,636	29,073	6,633	48,620
Additions	—	—	187	3	190
Disposals	—	(30)	(261)	(76)	(367)
Exchange adjustments	—	(61)	(144)	(37)	(242)
At 1 January 2015	7,278	5,545	28,855	6,523	48,201
Additions	—	34	148	12	194
Disposals	—	(56)	(315)	(431)	(802)
Exchange adjustments	—	(77)	(163)	(74)	(314)
At 31 December 2015	7,278	5,446	28,525	6,030	47,279
Accumulated depreciation					
At 1 January 2014	4,178	5,184	28,172	6,025	43,559
Provided during the year	87	130	743	311	1,271
Disposals	—	(22)	(238)	(68)	(328)
Exchange adjustments	—	(52)	(125)	(30)	(207)
Impairment	—	47	16	23	86
At 1 January 2015	4,265	5,287	28,568	6,261	44,381
Provided during the year	86	64	209	106	465
Disposals	—	(53)	(312)	(422)	(787)
Exchange adjustments	—	(63)	(156)	(63)	(282)
At 31 December 2015	4,351	5,235	28,309	5,882	43,777
Carrying amount					
At 31 December 2014	3,013	258	287	262	3,820
At 31 December 2015	2,927	211	216	148	3,502

Included in freehold land and property is freehold land at its cost value of £759,000 (2014: £759,000), which is not depreciated.

18. Investment in subsidiaries

Company	2015 £'000	2014 £'000
Cost and carrying value		
At 1 January	15,169	15,122
Acquisitions	190	47
At 31 December	15,359	15,169

The acquisition of £190,000 during the year (2014: £47,000) relates to share-based payment charges in relation to share options held by overseas employees, which are treated as capital contributions to the employing subsidiaries and are therefore recognised as investments in subsidiary companies.

Notes to the financial statements continued

18. Investment in subsidiaries continued

Investments in Group entities at 31 December 2015 were as follows:

	Country of incorporation/ registration	Class of shares held	Percentage of share capital held
Investments in subsidiary undertakings held directly			
CPP Group Limited	England & Wales	Ordinary shares	100%
CPP Worldwide Holdings Limited	England & Wales	Ordinary shares	100%
Investments in subsidiary undertakings held through an intermediate subsidiary			
Airport Angel Limited	England & Wales	Ordinary shares	100%
Card Protection Plan Limited	England & Wales	Ordinary shares	100%
CPP Assistance Limited	England & Wales	Ordinary shares	100%
CPP Assistance Services Limited	England & Wales	Ordinary shares	100%
CPP European Holdings Limited	England & Wales	Ordinary shares	100%
CPP Group Finance Limited	England & Wales	Ordinary shares	100%
CPP Holdings Limited	England & Wales	Ordinary shares	100%
CPP Insurance Administration Limited	England & Wales	Ordinary shares	100%
CPP International Holdings Limited	England & Wales	Ordinary shares	100%
CPP Services Limited	England & Wales	Ordinary shares	100%
CPP Travel Services Limited	England & Wales	Ordinary shares	100%
CPPGroup Services Limited	England & Wales	Ordinary shares	100%
Detailregion Limited	England & Wales	Ordinary shares	100%
Green Suite Limited	England & Wales	Ordinary shares	100%
Homecare Assistance Limited	England & Wales	Ordinary shares	100%
Homecare (Holdings) Limited	England & Wales	Ordinary shares	100%
Homecare Insurance Limited	England & Wales	Ordinary shares	100%
CPP Brasil Servicos de Assistencia Pessoal LTDA	Brazil	Ordinary shares	100%
CPP Commercial Consulting Services (Shanghai) Co Limited	China	Ordinary shares	100%
CPP France SA	France	Ordinary shares	100%
CPP Creating Profitable Partnerships GmbH	Germany	Ordinary shares	100%
one call GmbH	Germany	Ordinary shares	100%
CPP Asia Limited	Hong Kong	Ordinary shares	100%
CPP Assistance Services Private Limited	India	Ordinary shares	100%
CPP Italia Srl	Italy	Ordinary shares	100%
CPP Malaysia Sdn. Bhd	Malaysia	Ordinary shares	100%
Servicios de Asistencia a Tarjetahabientes CPP Mexico, S. de R.L. de C.V.	Mexico	Ordinary shares	100%
Profesionales en Proteccion Individual, S. de R.L. de C.V.	Mexico	Ordinary shares	100%
CPP Mediacion Y Proteccion SL	Spain	Ordinary shares	100%
CPP Proteccion Y Servicios de Asistencia SAU	Spain	Ordinary shares	100%
CPP Real Life Services Support SL	Spain	Ordinary shares	100%
Key Line Auxiliar SL	Spain	Ordinary shares	100%
CPP Sigorta Aracilik Hizmetleri Anonim Sirketi	Turkey	Ordinary shares	99.99%
CPP Yardim ve Destek Hizmetleri Anonim Sirketi	Turkey	Ordinary shares	99.99%

The principal activity of all of the subsidiaries is to provide services in connection with the Group's major product streams.

19. Insurance assets

	2015 £'000	2014 £'000
Amounts due from policyholders and intermediaries	213	356
Deferred acquisition costs	100	229
Amounts recoverable from reinsurers in respect of outstanding claims	4	8
	317	593

Reconciliation of movement in deferred acquisition costs

	2015 £'000	2014 £'000
At 1 January	229	1,402
Incurred during the year	200	424
Amortised during the year	(329)	(1,597)
At 31 December	100	229

Amounts due from policyholders and intermediaries and amounts recoverable from reinsurers represent the total exposure to credit risk in respect of insurance activities.

Credit is not generally offered to retail customers on insurance premiums. Where credit is offered to wholesale insurance customers, the average credit period on insurance premiums is 45 days. No interest is charged on insurance receivables at any time.

Individually or collectively material insurance receivables are reviewed for recoverability when an adverse change in credit quality is identified or when they become overdue. Credit risk is reduced as insurance receivables are dispersed amongst a broad customer base and where concentration exists the Group's main counterparties are typically large companies with established credit records. Credit risk is mitigated through maintaining and managing the customer base.

The Group's insurance receivable balance does not include any debtors which are past due at the balance sheet date (2014: £56,000).

The average age of overdue but unprovided debts is nil days (2014: 318 days).

Ageing of past due but not impaired insurance receivables

	2015 £'000	2014 £'000
Days outstanding since date of sales invoice:		
45-90 days	—	—
91-120 days	—	—
Over 120 days	—	56
	—	56

20. Inventories

	2015 £'000	2014 £'000
Consumables and supplies	43	93

Notes to the financial statements continued

21. Trade and other receivables

	Consolidated		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Trade receivables	5,056	6,458	—	—
Prepayments and accrued income	5,447	6,486	96	70
Amounts due from Group entities	—	—	66,277	54,881
Other debtors	1,603	2,765	12	1,089
	12,106	15,709	66,385	56,040

Trade and other receivables are predominantly non-interest bearing.

The Group's trade receivables continue to relate to retail customer payments awaiting collection and wholesale counterparties.

Since the timing of retail customer collection is controlled by the Group and is received within a specified period of processing the transaction, credit risk is considered low for these items.

Where wholesale counterparty balances are individually or collectively material, they are reviewed for recoverability when an adverse change in credit quality is identified or when they become overdue. The Group has low historical levels of customer and counterparty credit defaults, due in part to the quality of the relationship it has with its counterparties and their credit ratings.

Where credit is offered to customers, the average credit period offered is 31 days (2014: 40 days). No interest is charged on trade receivables at any time. Disclosures regarding credit risk relate only to counterparties or customers offered credit.

Overall exposure continues to be mainly spread over a large number of customers but where concentration exists this is with highly rated counterparties.

Included in the Group's trade receivable balance are debtors with a carrying amount of £669,000 (2014: £1,179,000) which are past due at the reporting date, for which the Group has not provided as there has not been a significant change in credit quality and the Group believes that the amounts are still recoverable.

The average age of overdue but unprovided debts is 166 days (2014: 192 days).

Ageing of past due but not impaired receivables

	2015 £'000	2014 £'000
Days outstanding since date of invoice:		
Up to 90 days	272	320
91-120 days	49	38
Over 120 days	348	821
	669	1,179

Movement in the allowance for doubtful receivables

	2015 £'000	2014 £'000
At 1 January	372	456
Amounts written off during the year as uncollectable	(364)	(20)
Increase/(decrease) in allowance recognised in the income statement	80	(59)
Foreign exchange translation gain	—	(5)
At 31 December	88	372

22. Cash and cash equivalents

Consolidated cash and cash equivalents of £39,810,000 (2014: £40,599,000) comprises cash held on demand by the Group and short term deposits.

Cash and cash equivalents includes the following:

- i) £12,126,000 (2014: £21,542,000) cash maintained by the Group's insurance businesses for solvency purposes; and
- ii) £21,753,000 (2014: £13,380,000) cash held in the UK's regulated entities CPPL and HIL, which is restricted by the terms of the VVOP and cannot be distributed to the wider Group without the Regulator's approval. This restricted cash, whilst being unavailable to distribute to the wider Group, is available to the regulated entity in which it exists including for operational and residual customer redress purposes.

Concentration of credit risk is reduced, as far as practicable, by placing cash on deposit across a number of institutions with the best available credit ratings. The credit quality of counterparties is as follows:

	2015 £'000	2014 £'000
AA	1,679	1,537
A	36,064	37,069
BBB	548	1,000
BB	1,405	978
Rating information not available	114	15
	39,810	40,599

Ratings are measured using Fitch's long term ratings, which are defined such that ratings "AAA" to "BBB" denote investment grade counterparties, offering low to moderate credit risk. "AAA" represents the highest credit quality, indicating that the counterparty's ability to meet financial commitments is highly unlikely to be adversely affected by foreseeable events.

Company cash and cash equivalents of £4,843,000 (2014: £nil) comprises cash held on demand by the Company.

23. Insurance liabilities

	2015 £'000	2014 £'000
Claims reported	93	233
Claims incurred but not reported	100	195
Total claims	193	428
Unearned premium	996	1,591
Total insurance liabilities	1,189	2,019

Provisions for claims reported and processed are based on estimated costs from third party suppliers. Provisions for claims incurred but not reported are an estimate of costs for the number of claims not yet processed at the year end. Claims outstanding at the year end are expected to be settled within the following 12 months.

Provision for unearned premiums

	2015 £'000	2014 £'000
At 1 January	1,591	2,475
Written in the year	7,662	13,765
Earned in the year	(8,257)	(14,649)
At 31 December	996	1,591

Unearned premiums are released as revenue on a straight line basis over the life of the relevant policy.

Notes to the financial statements continued

23. Insurance liabilities continued

Reinsurance cover

The Group reinsurance certain of its insurance contracts. Claims provisions are stated gross of reinsurance in the consolidated balance sheet. The impact of reinsurance on the year end claims provision is as follows:

	Gross £'000	Reinsurance £'000	Net £'000
Notified claims	233	—	233
Incurred but not reported claims	195	(8)	187
As at 31 December 2014	428	(8)	420
Notified claims	93	—	93
Incurred but not reported claims	100	(5)	95
As at 31 December 2015	193	(5)	188

Movements in the claims provision, gross and net of reinsurance, are as follows. There have been no significant differences between year end claims provisions and the amounts settled in the subsequent year.

	Gross £'000	Reinsurance £'000	Net £'000
As at 1 January 2014	1,374	(731)	643
Cash (paid)/received for claims settled in the year	(4,502)	1,147	(3,355)
Increase/(reduction) in liabilities arising from current year claims	3,556	(424)	3,132
As at 1 January 2015	428	(8)	420
Cash (paid)/received for claims settled in the year	(1,014)	3	(1,011)
Increase in liabilities arising from current year claims	779	—	779
As at 31 December 2015	193	(5)	188

Equalisation reserve

	2015 £'000	2014 £'000
At 1 January	7,487	8,129
Transfer to retained earnings	(1,244)	(642)
At 31 December	6,243	7,487

Equalisation reserves are established in accordance with Chapter 7.5 of the Integrated Prudential Sourcebook (PRU) and are in addition to the provisions required to meet the anticipated ultimate cost of settlement at the balance sheet date. As no actual liability exists at the balance sheet date, no provision is made in relation to movements in the claims equalisation reserve. However, as a claims equalisation reserve is still a requirement of PRU, an amount equal to the claims equalisation reserve is transferred from retained earnings to other reserves in the shareholders' funds. Deferred tax is not included in this transfer.

24. Trade and other payables

	Consolidated		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Current liabilities				
Trade creditors and accruals	23,920	28,172	2,438	1,696
Other tax and social security	2,527	2,322	185	—
Other payables	9,962	2,147	—	—
Amounts payable to Group entities	—	—	16,872	16,207
Deferred income	6,220	7,990	—	—
	42,629	40,631	19,495	17,903
Non-current liabilities				
Other payables	—	8,991	—	—
Total trade and other payables	42,629	49,622	19,495	17,903

Trade creditors and accruals comprise amounts outstanding for trade purchases and ongoing costs. The average credit period for trade purchases is 40 days (2014: 38 days). Interest is not suffered on trade payables. The Group has financial management policies in place to ensure that all payables are settled within the pre-agreed credit terms.

25. Borrowings

The carrying value of the Group's financial liabilities, for short and long term borrowings, is as follows:

	Consolidated		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Bank overdrafts	—	—	—	1,538
Borrowings due within one year	—	—	—	1,538
Bank loans due outside of one year	1,000	13,000	—	—
Less: unamortised issue costs	(152)	(969)	—	—
Commission Deferral Agreement	—	20,702	—	—
Second Commission Deferral Agreement	1,343	—	—	—
Borrowings due outside of one year	2,191	32,733	—	—

Analysis of repayments:

	2015 £'000	2014 £'000
Within one year	—	—
In the second year	1,343	13,000
In the third to fifth years	1,000	20,702
Total repayments	2,343	33,702
Less: unamortised issue costs	(152)	(969)
Total carrying value	2,191	32,733

The Group's bank debt is in the form of a £5,000,000 revolving credit facility (RCF). The current RCF became effective on 11 February 2015. The Group is entitled to roll over repayment of amounts drawn down, subject to all amounts outstanding falling due for repayment on expiry of the facility on 28 February 2018.

The RCF bears interest at a variable rate of LIBOR plus a margin of 4%. It is secured by fixed and floating charges on certain assets of the Group. The financial covenants of the RCF are based on the interest cover and minimum total cash balance of the Group. The Group has been in compliance with these covenants since inception of the RCF.

All amounts outstanding in respect of the Second Commission Deferral Agreement fall due for repayment on expiry of the agreement on 31 January 2017. The Commission Deferral Agreement bears interest at a fixed rate of 3.5% and is secured by charges over the assets of CPPL in substantially similar form and terms to the security granted under the RCF.

The weighted average interest rates paid during the year were as follows:

	2015 %	2014 %
Bank loans	2.5	4.5
Commission Deferral Agreements	3.5	3.5
Weighted average	2.9	3.9

The bank loans weighted average interest rate of 2.5% comprises the interest rate charged on the drawn amount and the interest rate charged for the commitment on the undrawn element.

At 31 December 2015, the Group has £4,000,000 undrawn committed borrowing facilities (2014: £nil).

Notes to the financial statements continued

26. Provisions

	Onerous leases 2015 £'000	Customer redress and associated costs 2015 £'000	Total 2015 £'000	Onerous leases 2014 £'000	Customer redress and associated costs 2014 £'000	Total 2014 £'000
At 1 January	1,658	6,356	8,014	—	37,398	37,398
(Credited)/charged to the income statement	(97)	900	803	1,658	3,000	4,658
Customer redress and associated costs paid in the year	—	(4,821)	(4,821)	—	(34,042)	(34,042)
Utilisation of onerous lease provision in the year	(732)	—	(732)	—	—	—
Transfer to trade and other payables	—	(824)	(824)	—	—	—
At 31 December	829	1,611	2,440	1,658	6,356	8,014

The customer redress and associated cost provision comprises anticipated compensation payable to customers through residual customer redress exercises and associated professional fees. The outstanding regulatory fine of £8,500,000 is included in other payables in note 24.

The onerous lease provision reflects the future lease payments and associated costs in the expected non-utilisation period at a vacated office in the UK.

Customer redress and associated costs are expected to be settled within one year of the balance sheet date and onerous lease provisions are expected to be settled within two years of the balance sheet date.

Provisions are expected to be settled in the following periods:

	Onerous leases 2015 £'000	Customer redress and associated costs 2015 £'000	Total 2015 £'000	Onerous leases 2014 £'000	Customer redress and associated costs 2014 £'000	Total 2014 £'000
Within one year	643	1,611	2,254	685	6,356	7,041
Outside of one year	186	—	186	973	—	973
At 31 December	829	1,611	2,440	1,658	6,356	8,014

27. Deferred tax

The following are the major deferred tax assets/(liabilities) recognised by the Group and the movements thereon during the current and prior years:

Consolidated	Accelerated capital allowances £'000	Tax losses £'000	Share-based payments £'000	Other short term timing differences £'000	Total £'000
At 1 January 2014	(21)	—	5	(369)	(385)
Credited/(charged) to income statement	30	1,646	(3)	833	2,506
Credited to equity	—	—	1	—	1
At 1 January 2015	9	1,646	3	464	2,122
(Charged)/credited to income statement	(233)	(1,646)	75	(54)	(1,858)
Credited to equity	—	—	86	—	86
Exchange differences	—	—	—	(6)	(6)
At 31 December 2015	(224)	—	164	404	344

27. Deferred tax continued

Company	Share-based payments £'000
At 1 January 2014	—
At 1 January 2015	—
Credited to income statement	79
Credited to equity	86
At 31 December 2015	165

Deferred tax assets and liabilities are stated at tax rates expected to apply on the forecast date of reversal, based on tax laws substantively enacted at the balance sheet date.

Certain deferred tax assets and liabilities have been offset where the Group or Company is entitled to and intends to settle tax liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Consolidated		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Deferred tax assets	652	2,248	165	—
Deferred tax liabilities	(308)	(126)	—	—
	344	2,122	165	—

At the balance sheet date the Group has unused tax losses of £44,170,000 (2014: £57,000,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams in the underlying companies and restrictions on offset of taxable profits and losses between Group companies. Included in unrecognised deferred tax assets are losses of £5,562,000 (2014: £5,727,000) which, if not used, will expire between one to twelve years (2014: one to nine years). Other losses will be carried forward indefinitely.

There is no deferred tax liability on unremitted foreign earnings as the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

At the balance sheet date the Company has unused tax losses of £17,202,000 (2014: £13,762,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams in the company and restrictions on offset of taxable profits and losses between Group companies. The losses can be carried forward indefinitely.

28. Financial instruments

Capital risk management

The Group manages its capital to safeguard its ability to continue as a going concern.

The Group does not have a target level of gearing but seeks to maintain an appropriate balance of debt and equity while aiming to provide returns for shareholders and benefits for other stakeholders. The Group's principal debt facility during the year was a £5.0 million RCF with a term date of 28 February 2018.

The Group makes adjustments to its capital structure in light of economic conditions. To maintain or adjust the capital structure the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Directors have considered the capital requirements of the Group, including the availability of cash reserves, and have not proposed a final dividend in respect of the current year.

Externally imposed capital requirement

Two of the Group's principal subsidiaries, CPPL and HIL, have capital requirements imposed by the FCA in the UK. Both subsidiaries have complied with their respective imposed capital requirements throughout the current and previous year.

Card Protection Plan Limited

CPPL is regulated by the FCA as an insurance intermediary and is required to hold a minimum level of capital resources relative to regulated business revenue.

The ratio of current and future capital resources to regulated business revenue is reported monthly to management to ensure compliance. There have been no instances of non-compliance in either the current or prior years.

The Group has agreed with the FCA, as part of the VVOP, to additional restrictions on the disposition of assets by CPPL.

Notes to the financial statements continued

28. Financial instruments continued

Externally imposed capital requirement continued Homecare Insurance Limited

HIL is authorised and regulated by the PRA and regulated by the FCA as an insurance underwriter and therefore maintains its capital resources in accordance with the PRA's risk-based solvency regime, Individual Capital Assessment Standards. The new Solvency II regulations came into effect on 1 January 2016.

The current and future capital levels are reviewed each month and reported to the PRA and FCA to ensure ongoing compliance and to support the quarterly returns. There have been no instances of non-compliance in either the current or previous years.

The Group has agreed with the FCA, as part of the VVOP, to additional restrictions on the disposition of assets by HIL.

Fair value of financial instruments

The fair value of non-derivative financial instruments is determined using pricing models based on discounted cash flow analysis using prices from observable current market transactions, hence all are classified as Level 2 in the fair value hierarchy. Financial assets and liabilities are carried at the following amounts:

Financial assets

	2015 £'000	2014 £'000
Loans and receivables	46,687	49,195

Loans and receivables comprise cash and cash equivalents, trade and other receivables, insurance assets and taxes receivable.

There is no significant difference between the fair value and carrying amount of any financial asset.

Financial liabilities

	2015 £'000	2014 £'000
Financial liabilities at amortised cost	(43,869)	(86,007)

Financial liabilities at amortised cost comprise borrowings, trade creditors, accruals, taxes payable, insurance claims and provisions.

There is no significant difference between the fair value and carrying amount of any financial liability, since liabilities are either short term in nature or bear interest at variable rates.

Financial risk management objectives

The Group's activities expose it to the risks of changes in foreign exchange rates and interest rates. The Board of Directors determines the Treasury Policy of the Group and delegates the authority for execution of the policy to the Group Treasurer. Any changes to the Treasury Policy are authorised by the Board of Directors. The limited use of financial derivatives is governed by the Treasury Policy and derivatives are not entered into for speculative purposes.

Interest rate risk

The Group is exposed to interest rate risk to the extent that short and medium term interest rates fluctuate. The Group manages this risk through the use of interest rate swaps, when appropriate, in accordance with its Treasury Policy. There have been no financial derivatives used in either the current or prior year. The interest cover (being defined as the ratio of underlying EBITDA to interest paid) at 31 December 2015 was 9x (2014: 5x).

Interest rate sensitivity analysis

The Group is mainly exposed to movements in LIBOR. The following table details the Group's sensitivity to a 2% increase in LIBOR rates throughout the year. 2% represents the Directors' assessment of a reasonably possible change in LIBOR rates. The sensitivity analysis includes the impact of changes in LIBOR on yearly average cash and bank loans.

	2015 £'000	2014 £'000
Increase in profit before tax	756	753
Increase in shareholders' equity	756	753

28. Financial instruments continued

Foreign currency risk

The Group has exposure to foreign currency risk where it has investments in overseas operations which have functional currencies other than Sterling and are affected by foreign exchange movements. The carrying amounts of the Group's principal foreign currency denominated assets and liabilities are as follows:

	Liabilities		Assets	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Euro	4,805	5,551	5,678	4,841

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 20% decrease in the Euro: Sterling exchange rate. This represents the Directors' assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only foreign currency denominated financial instruments and adjusts their translation at the year end for a change in foreign currency rates.

	Euro currency impact	
	2015 £'000	2014 £'000
Profit before tax	(26)	(112)
Shareholders' equity	(146)	118

Eurozone sensitivity analysis

The Group operates in countries with Euro denominated currencies. The possibility of the UK choosing to leave the European Union and the resulting potential for fluctuations in the Euro to impact the Group's results represents a risk to the Group. The Group's ongoing Eurozone operations are in Germany, Ireland, Italy, Portugal and Spain. A 20% deterioration in the Sterling: Euro exchange rate throughout the year would have decreased Group profits relating to these Eurozone entities by £504,000 (2014: £331,000).

Credit risk

Credit risk refers to the risk that a counterparty defaults on its contractual obligations resulting in financial loss to the Group. The Group does not actively hedge its credit risk.

The Group's retail trade and insurance receivables are mainly with a broad base of individual customers and are therefore not generally exposed to any one customer, resulting in low credit risk.

The Group's wholesale activities can result in material balances existing with a small number of counterparties and therefore increased credit risk exists. The Group continues to maintain some wholesale contracts and considers that it mitigates this credit risk through good quality relationships with counterparties and only partnering with counterparties with established credit ratings.

Counterparty credit limits are determined in accordance with the Treasury Policy for cash and cash equivalents and the Counterparty and Credit Risk Policy for receivables. Any balance that falls into an overdue status is monitored. Further details of the monitoring of and provision for overdue debts are outlined for insurance receivables in note 19 and other receivables in note 21.

The carrying amount of financial assets recorded in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

Liquidity risk

The Group has a policy of repatriation and pooling of funding where possible in order to maximise the return on surplus cash. Group Treasury continually monitors the level of short term funding requirements and balances the need for short term funding with the long term funding needs of the Group. On 11 February 2015, the Group raised £20.0 million (£17.9 million net of expenses) through a placement of ordinary shares, albeit a portion of these funds was used to part-prepay the existing RCF, reducing the available balance from £13.0 million to £5.0 million. The Group's residual customer redress obligations are also substantially complete. As a result, liquidity risk has reduced in the period.

Compliance with financial ratios and other covenant obligations of the Group's bank loans is monitored on a monthly basis by the Board of Directors.

Notes to the financial statements continued

28. Financial instruments continued

Liquidity and interest risk tables

Liabilities

The following table details the Group's remaining contractual maturity for its financial liabilities, based on the undiscounted cash flows of financial liabilities and the earliest date at which the Group can be required to pay. The table includes both interest and principal cash flows and assumes no changes in future LIBOR rates.

	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	Over 5 years £'000	Total £'000
2014						
Non-interest bearing liabilities	12,579	12,124	18,842	8,498	271	52,314
Fixed rate instruments	—	—	—	22,661	—	22,661
Variable rate instruments	44	88	395	14,348	—	14,875
	12,623	12,212	19,237	45,507	271	89,850
2015						
Non-interest bearing liabilities	11,071	9,894	19,996	292	284	41,537
Fixed rate instruments	—	—	—	1,391	—	1,391
Variable rate instruments	—	—	—	1,254	—	1,254
	11,071	9,894	19,996	2,937	284	44,182

Assets

The following table details the Group's expected maturity for its non-derivative financial assets, based on the undiscounted contractual maturities of the financial assets.

	Weighted average effective interest rate %	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	Over 5 years £'000	Total £'000
2014							
Non-interest bearing assets	n/a	5,097	2,421	84	815	179	8,596
Variable interest rate instruments	1.0%	31,304	9,294	—	1	—	40,599
		36,401	11,715	84	816	179	49,195
2015							
Non-interest bearing assets	n/a	5,300	529	85	905	45	6,864
Variable interest rate instruments	1.0%	20,383	19,439	—	1	—	39,823
		25,683	19,968	85	906	45	46,687

Insurance risk

The Group applies a prudent approach to its management of potential exposure to risks arising from its insurance contracts.

The lines of policies underwritten are limited to general insurance classes underwritten by HIL, an entity within the Group, which is authorised and regulated by the PRA and regulated by the FCA. The lines of risk underwritten are restricted by HIL to those lines where either HIL has substantial experience or lines that the Group wishes to move into where it can enter such a line of business in a risk-controlled manner after appropriate Board consideration.

The Group's lines of insurance business, and thus its insurance risk portfolio, are primarily focused on high volume, low transaction value, short term individual lines.

The Group's policy is to establish a specific claims reserve at any point in time on each line of business, based on claims reported up to and including the last day of each accounting period, including an element to represent claims incurred but not yet reported. Details of claims reserves carried are provided in note 23.

28. Financial instruments continued

Insurance risk continued

The Directors consider the following to be the principal insurance risks and actions taken, reducing risk to an acceptable level:

Changes in rates of claims

Trends in claim rates and other market data are reviewed on a regular basis and premiums for contracts are adjusted accordingly. Each class of contract has a large population of homogeneous policyholders and no insurance contracts are subject to concentration risk.

A 10% deterioration in the loss ratio during the year would have resulted in a £78,000 decrease in profit before tax and reduction in shareholders' equity (2014: £192,000), 10% representing the Directors' assessment of the reasonably possible change in the loss ratio.

Changes in settlement cost per claim

The quantum or nature of settlement amounts is specified in policy documentation and the Group is not exposed to significant open-ended commitments. Although settlement costs are not capped, they generally vary within a small range, limiting the Group's exposure.

Reliance on key suppliers

The Group makes use of third party suppliers to fulfil the majority of claims. The performance and financial position of key suppliers is regularly monitored and alternative lines of supply are sourced as necessary.

The Group therefore considers its exposure to risk arising from its insurance contracts to be appropriately managed.

29. Share capital

	Ordinary shares of 10 pence each (thousands)	Ordinary shares of 1 penny each (thousands)	Deferred shares of 9 pence each (thousands)	Ordinary shares of 10 pence each £'000	Ordinary shares of 1 penny each £'000	Deferred shares of 9 pence each £'000
Called-up and allotted:						
At 1 January 2015	171,650	—	—	17,126	—	—
Issue of shares in connection with:						
Capital reorganisation	(171,650)	171,650	171,650	(17,126)	1,713	15,413
February placement	—	666,667	—	—	6,667	—
June share issue	—	8,550	—	—	86	—
November share issue	—	5,883	—	—	59	—
Exercise of share options	—	84	—	—	1	—
At 31 December 2015	—	852,834	171,650	—	8,526	15,413

On 20 January 2015, each of the Company's 10 pence ordinary shares was subdivided and redesignated into one new ordinary share of 1 penny each and one new deferred share of 9 pence each. Each new ordinary share of 1 penny carries the same rights as the old 10 pence ordinary share. Deferred shares have no voting rights, no rights to receive dividends and only very limited rights on a return of capital. The deferred shares have not been listed for trading in any market and are not freely transferable.

On 11 February 2015, the Company transferred the trading of its shares from the main market of the London Stock Exchange to AIM. On transfer to AIM, as part of a placing, the Company also issued 666,666,667 1 penny ordinary shares for cash consideration of £20,000,000. Costs of the share issue of £1,686,000 have been charged to the share premium account.

On 25 June 2015, the Company issued 8,550,000 1 penny ordinary shares as part of the Group's new share incentive scheme, the MSP. The newly issued shares, which represent Investment Shares in the terms of the plan, were purchased for total consideration of £257,000. The second investment date for MSP completed on 24 November 2015, resulting in the issue of a further 5,883,000 1 penny ordinary shares which were purchased for total consideration of £176,000.

The ordinary shares issued in the placing and MSP have increased the share capital of the Company by £6,812,000 and increased the share premium account by £11,935,000.

On 24 November 2015, the CPPGroup Plc Employee Benefit Trust (EBT) purchased 1,763,000 of the Company's ordinary shares for total cash consideration of £264,000. The total amount paid to acquire the shares has been deducted from the ESOP reserve. As at 31 December 2015, the total number of ordinary shares held by the EBT was 1,763,000 (2014: nil).

During the year, the Company issued 84,347 shares to option holders for total consideration of £1,000. Further details relating to share options are provided in note 30.

Notes to the financial statements continued

29. Share capital continued

Of the 852,833,955 ordinary shares issued at 31 December 2015, 852,333,956 are fully paid and 499,999 are partly paid.

The ordinary shares are entitled to the profits of the Company which it may from time to time determine to distribute in respect of any financial year or period.

All holders of ordinary shares shall have the right to attend and vote at all general meetings of the Company. On a return of assets on liquidation, the assets (if any) remaining, after the debts and liabilities of the Company and the costs of winding up have been paid or allowed for, shall belong to, and be distributed amongst, the holders of all the ordinary shares in proportion to the number of such ordinary shares held by them respectively.

30. Share-based payment

Current share plan

The MSP was implemented, subsequent to the transfer of the Company's shares to AIM in 2015, to more closely align senior management interests with those of shareholders. MSP charges disclosed within administrative expenses and not included in underlying operating profit include £1,457,000 (2014: £nil) relating to the share-based payment charges. There have been 38,010,000 options granted in the current year as part of the MSP; the plan was not in operation in the prior year.

	2015		2014	
	Number of share options (thousands)	Weighted average exercise price (£)	Number of share options (thousands)	Weighted average exercise price (£)
MSP				
Outstanding at 1 January	—	—	—	—
Granted during the year	38,010	0.01	—	—
Forfeited during the year	(1,875)	0.01	—	—
Outstanding at 31 December	36,135	0.01	—	—

Options granted under the MSP have an exercise price of 1 penny and they vest over a three year period, with 25% vesting on the first anniversary of the grant date, 25% vesting on the second anniversary and 50% vesting on the third anniversary. Options lapse if not exercised within ten years of the grant date and will lapse if option holders cease to be employed by the Group or sell any of their investment shares.

The options outstanding at 31 December 2015 had a weighted average remaining contractual life of two years.

The principal assumptions underlying the valuation of the options granted during the year at the date of grant are as follows:

	MSP 2015
Weighted average share price	£0.09
Weighted average exercise price	£0.01
Expected volatility	140.93%
Expected life	2 years
Risk-free rate	0.76%
Dividend yield	n/a

There have been 38,010,000 share options granted in the current year. The aggregate estimated fair value of the options and shares granted in the current year under the MSP was £3,208,000.

Legacy share plans

Post-IPO plans

Administrative expenses include a charge of £9,000 (2014: £203,000) arising from the Long Term Incentive Plan (LTIP), the Restricted Stock Plan (RSP), the Deferred Share Bonus Plan (DSBP) and the ShareSAVE Plan. There were no options granted in either the current or prior year under any of the Group's post-IPO plans. Following the Group's transfer to AIM, no further awards can be made under these share plans.

30. Share-based payment continued

Legacy share plans continued

Post-IPO plans continued

Details of share options outstanding during the period under these plans are as follows:

	2015		2014	
	Number of share options (thousands)	Weighted average exercise price (£)	Number of share options (thousands)	Weighted average exercise price (£)
LTIP				
Outstanding at 1 January	5,236	—	7,794	—
Lapsed during the year	(1,468)	—	—	—
Forfeited during the year	(2,968)	—	(2,558)	—
Outstanding at 31 December	800	—	5,236	—
RSP				
Outstanding at 1 January	246	—	405	—
Forfeited during the year	(14)	—	(108)	—
Exercised during the year	(78)	—	(51)	—
Outstanding at 31 December	154	—	246	—
Exercisable at 31 December	154	—	50	—
DSBP				
Outstanding at 1 January	6	—	16	—
Exercised during the year	(6)	—	(10)	—
Outstanding at 31 December	—	—	6	—
Exercisable at 31 December	—	—	6	—
ShareSAVE Plan				
Outstanding at 1 January	43	1.33	112	1.35
Forfeited/cancelled during the year	(36)	1.31	(69)	1.36
Outstanding at 31 December	7	1.46	43	1.33

Notes to the financial statements continued

30. Share-based payment continued

Legacy share plans continued

Post-IPO plans continued

Nil-cost options and conditional shares granted under the LTIP normally vest after three years, lapse if not exercised within ten years of grant and will lapse if option holders cease to be employed by the Group. Vesting of LTIP options and shares are also subject to achievement of performance criteria including total shareholder return and an absolute share price measure over a three year period. There have been no LTIP options exercised in either the current or prior year.

Nil-cost options and conditional shares granted under the RSP normally vest after three years, lapse if not exercised within ten years of grant, and will lapse if option holders cease to be employed by the Group. There have been no RSP options granted in either the current or prior year.

Nil-cost options and conditional shares granted during 2011 under the DSBP normally vest after three years, lapse if not exercised within ten years of grant and will lapse if option holders cease to be employed by the Group. The DSBP is a scheme to retain and further incentivise senior management by awarding a portion of their annual bonus in the form of share options. There have been no DSBP options granted in either the current or prior year.

Options granted during 2011 under the ShareSAVE Plan entitle option holders to contribute up to £250 per month to the plan. At the vesting date of either three or five years, option holders choose between return of their contributions in cash or purchase of shares at a discount to the market price on the date of grant. Options normally lapse and cash deposited is returned to option holders who cease to be employed by the Group during the vesting period. There have been no ShareSAVE Plan options granted or exercised in either the current or prior year.

The options outstanding at 31 December 2015 had a weighted average remaining contractual life of one year (2014: one year) in the LTIP. Options outstanding in the RSP, DSBP and ShareSAVE Plan had no weighted average remaining contractual life in either the current or prior year.

Pre-IPO plans

The Group's 2005 and 2008 ESOP Schemes were implemented in previous years to incentivise certain employees. Options in these schemes are exercisable at a price determined by the Board of Directors on the date of grant. There is no share-based payment charge included in the income statement in the current year (2014: £nil) for these Schemes.

The IPO during 2010 represented a trigger event for the 2005 and 2008 ESOP Schemes. All outstanding legacy scheme options have now vested. Options lapse if not exercised within ten years of original grant and may lapse if the employee leaves the Group.

Details of share options outstanding during the year under the legacy schemes are as follows:

	2015		2014	
	Number of share options (thousands)	Weighted average exercise price (£)	Number of share options (thousands)	Weighted average exercise price (£)
2005 ESOP Scheme				
Outstanding at 1 January	1,536	2.00	2,063	2.06
Lapsed during the year	(240)	0.82	—	—
Forfeited during the year	(104)	2.24	(527)	2.24
Outstanding at 31 December	1,192	2.22	1,536	2.00
Exercisable at 31 December	1,192	2.22	1,536	2.00
2008 ESOP Scheme				
Outstanding at 1 January	309	1.79	873	1.79
Forfeited during the year	(148)	1.79	(564)	1.79
Outstanding at 31 December	161	1.79	309	1.79
Exercisable at 31 December	161	1.79	309	1.79

There have been no exercises in either the current or prior year.

The options outstanding for the 2005 Scheme and 2008 Scheme at 31 December 2015 had no remaining contractual life in either the current year or the prior year.

No 2005 Scheme or 2008 Scheme options have been granted in either the current or prior year.

31. Reconciliation of operating cash flows

	2015 £'000	2014 £'000
Profit/(loss) for the year	20,837	(6,749)
Adjustment for:		
Depreciation and amortisation	856	4,155
Equity settled share-based payment expense	1,466	203
Impairment loss on intangible assets and property, plant and equipment	21	86
Loss on disposal of property, plant and equipment	16	43
Profit on disposal of discontinued operations	—	(311)
Commission deferral compromise and associated costs	(19,388)	744
Share of loss of joint venture	—	1,096
Investment revenues	(282)	(432)
Finance costs	1,523	2,296
Income tax expense/(credit)	3,017	(1,698)
Operating cash flows before movements in working capital		
Decrease in inventories	50	56
Decrease in receivables	2,234	5,202
Decrease in insurance assets	276	2,794
Decrease in payables	(4,410)	(9,892)
Decrease in insurance liabilities	(830)	(1,970)
Decrease in provisions	(5,574)	(29,384)
Cash used in operations		
Income taxes (paid)/repaid	(188)	(33,761)
Net cash used in operating activities	(1,360)	(32,906)

32. Commitments

Operating lease commitments

The Group has entered into commercial leases on certain properties and motor vehicles. The leases have normal terms, escalation clauses and renewal rights.

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2015 £'000	2014 £'000
Within one year	1,575	1,941
In the second to fifth years inclusive	2,112	2,623
After five years	116	370
	3,803	4,934

The total of future minimum sublease payments expected to be received under non-cancellable subleases at the end of the reporting period is £750,000 (2014: £603,000).

Notes to the financial statements continued

33. Related party transactions and control

Ultimate controlling party

Following the equity raise in February 2015, Mr Hamish Ogston's holding in the Company has reduced and currently represents 42.3%, resulting in the Group no longer having a controlling party. Mr Hamish Ogston's family investment vehicle, Milton Magna Limited, is an investment client of the Schroder group of companies, of which Schroder Investment Management Limited (Schroders) is part. Schroders has a holding of 10.0% in the Company.

Transactions with related parties

As part of the placing of 666,666,667 ordinary shares by the Company on 11 February 2015, Mr Hamish Ogston acquired 264,144,352 ordinary shares through his family investment vehicle Milton Magna Limited for consideration of £7,924,000 and Schroders acquired 61,437,285 ordinary shares for consideration of £1,843,000. Both parties were substantial shareholders in the Group prior to the placing.

As part of the MSP, key management personnel of the Group purchased investment shares on 25 June 2015 and 24 November 2015 for total consideration of £433,000.

On 23 December 2015, Ruth Evans, a Non-Executive Director of the Group at the time, purchased 208,571 ordinary shares in the Company for total cash consideration of £25,000.

Certain bank loans taken out by Group entities are secured against the assets of the Company. The total amount outstanding on these loans at 31 December 2015 amounted to £1,000,000 (2014: £13,000,000). The Company is party to a cross-guarantee in respect of a bank account netting arrangement in which it is a participant alongside certain other Group companies. 'Cash and cash equivalents' includes £4,286,000 (2014: £1,833,000 overdraft in borrowings) which is held in a bank account subject to this arrangement.

Remuneration of key management personnel

The remuneration of the Directors and senior management team, who are the key management personnel of the Group and Company, is set out below:

	2015 £'000	2014 £'000
Short term employee benefits	4,098	2,133
Post-employment benefits	121	100
Termination benefits	239	—
Share-based payments	1,128	8
	5,586	2,241

In 2015, the remuneration of key management personnel includes an expansion of the senior management team, settlements to former Directors and senior management and provision for bonuses reflective of the turnaround in the Group's performance.

Required disclosures regarding remuneration of the Directors are included in the Directors' remuneration report on pages 36 to 38.

34. Events after the balance sheet date

As announced on 21 March 2016, Schroders has filed a notice requisitioning a general meeting of the Company's shareholders (the Requisition). The Requisition proposes resolutions to remove the CEO and current Non-Executive Directors from the Board and to replace them with individuals proposed by Schroders. It is believed that Schroders are working with Mr Hamish Ogston, one of the Group's major shareholders and founder of the Company.

The general meeting will be held on 5 May 2016.

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Shareholder information

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The Company's shares are listed on AIM. Company information and share price details are available on the corporate website at www.cppgroupplc.com.

Company registration number:

07151159

Nominated adviser and broker:

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Auditor:

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Leeds
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Legal advisers:

Eversheds LLP
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Media consultants:

Powerscourt Limited
1 Tudor Street
London
EC4Y 0AH

Shareholders who have a query regarding their shareholding should contact the Company's share registrars at:

Capita Asset Services

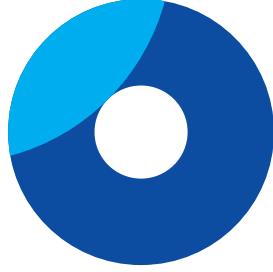
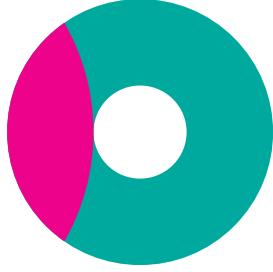
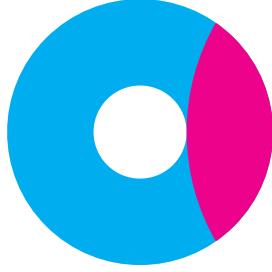
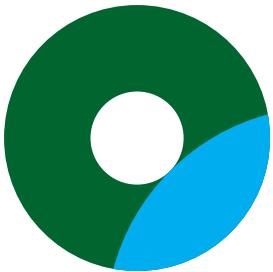
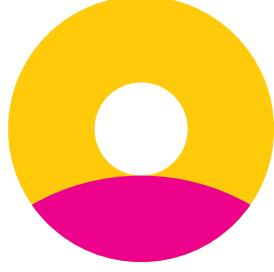
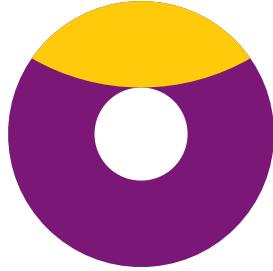
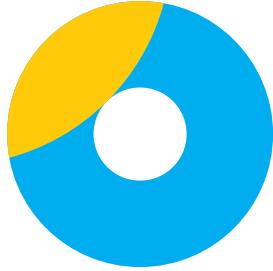
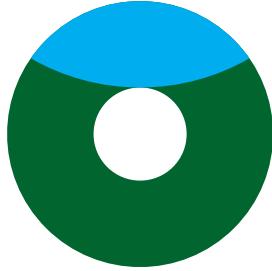
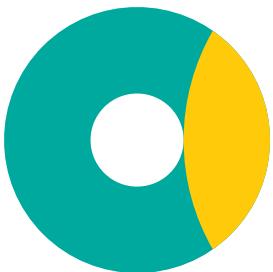
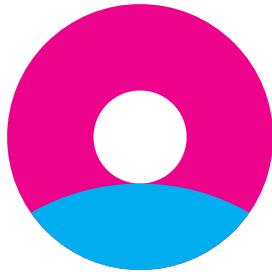
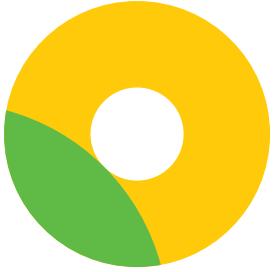
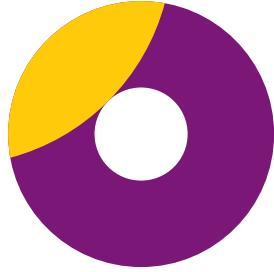
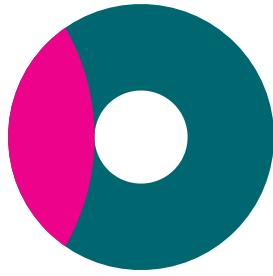
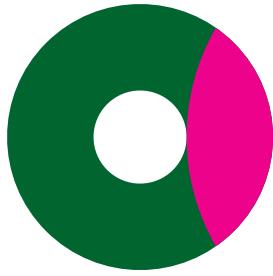
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When contacting the registrar please have the investor code and information relating to the name and address in which the shares are held.

Investor relations

Requests for further copies of the Annual Report & Accounts, or other investor relations enquiries, should be addressed to the Company Secretary at the registered office.



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